



Q3-2020

MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR THE QUARTER ENDED APRIL 30, 2020.

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 April 30, 2020. It also provides a review of our performance by comparing the Company's results of operations on a consolidated basis, for the three-month period and nine-month period ended April 30, 2020, with the three-month period and nine-month period ended April 30, 2019. 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 June 23, 2020. This MD&A was approved by our Board of Directors on June 23, 2020.

All amounts presented in this document are expressed in Canadian dollars.

2. FORWARD LOOKING STATEMENTS

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

3. COMPANY PROFILE

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

The first family of active ingredients available to the Company is currently extracted from organic baby spinach. The flagship product of the Company, PUR0110, shows immunomodulatory, antioxidant and anti-inflammatory properties. It is the first product of a family of active ingredients, extracted using the Supra Molecular Complex Extraction and Stabilization Technology (SUPREX™). It is customary that when a drug is at an advanced stage of development, the code name be changed to a generic name associated with the chemical structure of the product. The PUR0110 will now bear the name of "Thykamine™".

In addition to benefiting from a pharmaceutical complex extraction facility in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first cosmeceutical product developed by Devonian, is an anti-aging treatment for women, consisting of day creams, night cream and eye contour. R-Spinasome®, Devonian's proprietary natural active ingredient, is an integral part of this product, ready for marketing under the brand name Purgenesi™. Purgenesi™ 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 Purgenesi™ 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 THE QUARTER ENDED APRIL 30, 2020

Research and development atopic dermatitis (AD)

The Phase II clinical trial of Thykamine™ in adult patients with mild to moderate atopic dermatitis is progressing as planned. The study is expected to be completed by the end of 2020.

The service contract with our supplier, who oversees the conduct of the clinical study, was amended in February 2020, to total \$ 3,154,881. As of April 30, 2020, the commitment balance related to this amended contract was \$ 453,708.

The company expects the last adult patient to be recruited in June 2020, and the preliminary results of the trial will be released in November 2020.

On February 21, 2020, the Company collected the \$ 114,383 in research and development tax credits, which related to research and development expenses eligible under the applicable tax laws for the 2019 fiscal year.

Private placement

On April 27, 2020, the Company completed a private placement, without the assistance of a broker, for total gross proceeds of \$ 1,805,000.

- . 10,000,000 subordinate voting shares were subscribed at a price of \$ 0.15 per share, for gross proceeds of \$ 1,500,000

- . 1,188,887 units were subscribed at a price of \$ 0.15 per unit, for gross proceeds of \$ 178,333 and 804,235 units were subscribed at a price of 0.1575 per unit for gross product of \$ 126,667.

Each unit consists of one subordinate voting share and one share subscription warrant. Each warrant will entitle the holder to acquire a subordinate voting share at a price of \$ 0.25 per share for a period of 24 months.

All the shares and units subscribed were issued on May 4, 2020.

Skin Care products

On February 11, 2020, the Company announced the signing of an exclusive, worldwide sales and marketing agreement with SkinSciPac Inc., ("SkinScipac") for the marketing of its cosmeceutical products derived from its patented R-Spinasome® technology.

The agreement includes an undisclosed payment for the supply of R-Spinasome® on a per kg basis as well as royalties on gross worldwide sales. SkinSciPac, in collaboration with Devonian, will be able to manufacture and market products worldwide within



the professional and selective skin care market, via its PRIORI Skincare brand. Devonian may continue to develop new products using this technology and make them available to SkinSciPac when they are ready for commercialization.

This partnership marks an important milestone for Devonian, which now has a global sales and marketing partner for its skin care products. Established in the biotechnological valley of San Diego in California, SkinSciPac markets cosmeceutical products through its subsidiary, PRIORI Skincare, involved in the skin sciences and biotechnology market in order to create innovative, simple cosmeceutical solutions, effective and natural.

Payment of interest on debentures

On February 18, 2020, the Company proceeded to the issue of 291,393 units at a unit price of \$ 0.173, in consideration for the \$ 50,411 of interest it owed to the holder of the debenture issued during the first tranche of the placement closed on July 19, 2018. Each unit consists of a subordinate voting share and a subscription warrant conferring on its holder the right to subscribe to a subordinate voting share of the Company at a price of \$ 0.225 for a period of 48 months. These units were issued in consideration of interest due on January 19, 2020, for a total amount of \$ 50,411.

5. SUMMARY OF OPERATING RESULTS FOR THE QUARTER ENDED APRIL 30, 2020

Net loss

For the quarter ended April 30, 2020, net loss was \$ 788,713 (\$ 0.01) per share while it was \$ 989,556 (\$ 0.02) per share for the quarter ended April 30, 2019. The decrease in net loss, is due to a marginal increase in sales and reduction in research and development costs.

For the nine-month period ended April 30, 2020, the net loss was \$ 2,915,065 (0.042 per share), compared to \$ 2,045,361 (0.030 per share) for the corresponding period of 2019. This increase in net loss, is mainly due to a significant drop in sales and increased research and development costs, partially offset by decrease in administrative costs.

The Company, which for the moment is recording distribution sales through its subsidiary Altius Healthcare, incurs expenses in operating costs, in particular administrative and financial costs in addition to research and development costs necessary for the development of its products and the preparation of its clinical trials.

Distribution Revenues

The Company's revenues come mainly from the distribution of Cleo-35 and Pantoprazole Magnesium, through its subsidiary, Altius Healthcare.

During the quarter ended April 30, 2020, revenues of \$ 599,390 were recorded, compared to \$ 509,561 for the corresponding quarter of 2019. Revenues for the nine-month period, ended April 30, 2020, are \$ 2,347,843 compared to \$ 5,761,103 for the same period in 2019.

This significant drop in cumulative revenues for the nine-month period can be attributed to multiple factors, including the disruption in the supply of Pantoprazole Magnesium, for a period of more than 3 months. This supply disruption lead to the company missing out on the holiday load period in November and December 2019 further exacerbating the loss of revenues. The onset of COVID-19 further negatively impacted the performance following the various provincial directives to reduce the prescription dispensing size from 90 to 30 days to avoid stock-out of critical items.

The supply situation for Pantoprazole Magnesium now stabilizing, the management of the company is exploring varying business opportunities to maximize revenue and profitability with the expectation of regaining and surpassing the lost market share by seeking new accounts.



Research and development expenses

The breakdown of Research and development expenses is as follows:

	Quarter ended April 30, 2020	Quarter ended April 30, 2019	Nine-month period ended April 30, 2020	Nine-month period ended April 30, 2019
	\$	\$	\$	\$
Patents	25,228	30,044	81,663	85,509
Salaries and employee benefits	17,511	22,921	63,137	61,349
Dermatitis Atopic, Phase II	147,633	167,175	900,272	383,595
Consultants fees	(1,272)	-	11,908	6,000
	<u>189,100</u>	<u>220,140</u>	<u>1,056,980</u>	<u>536,453</u>

For the three-month and nine-month period ended April 30, 2020, research and development expenses were \$ 189,100 and \$ 1,056,980, respectively. These costs are mainly attributable to costs incurred in the clinical study of atopic dermatitis, costs related to patents, and the payroll cost of the employees assigned to this sector. Research and development costs of \$ 220,140 and \$ 536,453 were incurred for the same corresponding periods in 2019.

The drop in research and development costs for the quarter of 2020 compared to that of 2019, is partly related to COVID-19, while the movement of patients recruited for the study had to be limited from March 2020, negatively impacting the recruitment of patients in the ongoing trial.

The increase in the costs incurred for the first nine months of fiscal year 2020 compared to the corresponding period in 2019, is mainly due to increase in costs incurred in the clinical study on atopic dermatitis, due to the increase in patients recruitment.

Cost of sales

The cost of products sold amounted to \$ 189,167 for the quarter ended April 30, 2020, compared to \$ 167,994 for the same quarter of 2019, while there is a cost of products sold of \$ 1,067,097 for the nine-month period ended April 30, 2020, compared to \$ 2,618,711 for the same period of the previous year. This cost of sales is made up of the costs of product acquisition, distribution costs, royalties, and indirect charges attributable to the products sold by our subsidiary Altius Healthcare. The change in cost of sales compared to the same corresponding periods in 2019 is linked to the change in sales recorded during these same periods.

Sales expenses

Selling expenses for the April 2020 quarter totaled \$ 10,393, while for the nine-month period ended that same date, they amounted to \$ 119,283. These costs are directly attributable to the costs of representatives hired to promote the Cleo-35. For the same corresponding periods of 2019, these selling costs totaled \$ 61,792 and \$ 130,195, respectively. This decrease compared to 2019 may be attributable to the rationalization of the costs generated by its sales force.



Operating expenses

General administration expenses

The breakdown of General administrative expenses is as follows:

	Quarter ended April 30, 2020	Quarter ended April 30, 2019	Nine-month period ended April 30, 2020	Nine-month period ended April 30, 2019
	\$	\$	\$	\$
Salaries and employee benefits	107,249	70,121	252,389	254,223
Stock based compensation	107,346	32,208	140,624	83,886
Professional fees	34,635	68,670	289,694	244,379
Promotion & marketing	319,617	339,294	747,900	1,792,748
Amortization of intangible assets	186,765	189,180	579,482	562,181
Amortization of fix assets	65,532	65,534	201,354	201,355
Property taxes	27,513	28,714	79,199	83,240
Others	153,279	315,349	525,510	1,002,148
	1,001,936	1,109,070	2,816,152	4,224,160

For the quarter ended April 30, 2020, salaries, and other costs of \$ 107,249 are mainly related to management team, while for the nine-month period ended on the same date, this charge amounts to at \$ 252,389. For the corresponding periods in 2019, salary which amounted to \$ 70,121 and \$ 254,223 respectively, were also attributable to management team. The increase for the third quarter is mainly due to the benefits granted to an employee of the Management who were recorded during the month of February 2020.

For the three-month and nine-month periods ended April 30, 2020, stock-based compensation expense of \$ 107,346 and \$ 140,624 (a non-cash expense) was recorded following the granting of options to employees during fiscal years 2017 to 2019, according to the stock option plan approved by the board of directors, as well as following the grant of options to a director in April 2020. For the same corresponding periods of 2019, stock-based compensation expense of \$ 32,208 and \$ 83,886 had been recorded following the grant of options to employees at during 2017, 2018 and 2019.

For the quarter ended April 30, 2020 professional fees of \$ 34,635 are mainly related to costs incurred for various corporate work. For the nine-month period ended April 30, 2020, there are fees for a total of \$ 289,694, related to various corporate work as well as costs incurred for the preparation of the financial statements for the year ended 31 July 2019.

As for the same corresponding periods in 2019, professional fees were \$ 68,670 and \$ 244,379 and were mainly related to corporate work as well as costs incurred for the preparation of the financial statements for the year ended 31 July 2018.

For the quarter and the nine-month period ended April 30, 2020, promotion and marketing costs are mainly related to the two products distributed by Altius and in connection with the various promotion programs. These expenses, totaling \$ 319,617 and \$ 747,900 respectively, are down compared to the same corresponding periods of the year, in line with the drop in sales compared to 2019.

For the quarters ended April 30, 2020 and April 31, 2019, the depreciation expense of \$ 65,532 and \$ 65,534 respectively, is mainly related to all tangible assets acquired in April 2015. This expense related to the same assets amounts to \$ 201,354 and \$ 201,355 respectively for the nine-month periods ended April 30, 2020 and April 30, 2019



An amortization charge for intangible assets of \$ 186,765 was recorded during the quarter ended April 30, 2020. For the period of nine months ended on the same date, this charge amounted to \$ 579,482, and is mainly related to the intangible assets acquired and those generated during the acquisition of Altius Healthcare. For the corresponding periods of 2019, a respective total of \$ 189,180 and \$ 562,181 was recorded.

For the quarter and the nine-month period ended April 30, 2020, the property tax charge of \$ 27,513 and \$ 79,199 is related to the Montmagny site, while the same charge was \$ 28,714 and \$ 83,240 for the same corresponding periods in 2019.

For the three-month period ended April 30, 2020, the other costs of \$ 153,279 are mainly attributable to the operating costs of the Montmagny and Altius sites, to travel expenses, management fees, office supplies and various costs related to the Company's stock market expenses. For the nine-month period ended on the same date, the other fees total \$ 525,510. For the same periods in 2019, other fees were \$ 315,349 and \$ 1,002,148, respectively. This significant decrease compared to the same corresponding periods of the previous year is mainly due to a rationalization of spending in terms of travel expenses.

Financial expenses

During the three-month and nine-month periods ended April 30, 2020, financial expenses of \$ 147,312 and \$ 451,779, respectively, were noted, mainly related to long-term debt and the two tranches of debentures issued in July and August 2018. For the corresponding periods of 2019, financial costs of \$ 136,736 and \$ 419,790 were also related to long-term debt and debentures issued in July and August 2018. The increase in these costs compared to at the same corresponding periods in 2019 is mainly explained by an additional interest expense following an increase of \$ 500,000 in long-term debt during the month of August 2019.

6. SELECTED QUATERLY FINANCIAL INFORMATION

	Quarter ended								
	April 30 2020	January 31 2020	October 31 2019	July 31 2019	April 30 2019	January 31 2019	October 31 2018	July 31 2018	April 30 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	599,390	710,602	1,037,851	176,651	509,561	3,315,770	1,935,772	1,084,050	2,083,802
Net loss	(788,713)	(1,204,067)	(922,285)	(934,055)	(989,556)	(399,220)	(656,585)	(1,161,823)	(597,759)
Net loss per share	(0.011)	(0.017)	(0.013)	(0.014)	(0.015)	(0.006)	(0.009)	(0.017)	(0.010)
Net loss diluted per share	(0.011)	(0.017)	(0.013)	(0.014)	(0.015)	(0.006)	(0.009)	(0.017)	(0.010)

7. FINANCIAL SITUATION

Liquidity and capital resources

As at April 30, 2020, the Company had cash, totaling \$ 2,107,533 compared to \$ 244,590 as at July 31, 2019. For the period ended April 30, 2020, the net increase in cash amounted to \$ 1,862, 943 is mainly attributable to the \$ 2,721,452 generated by financing activities, partially offset by \$ 858,509 in costs incurred to finance general operating activities.

Total assets at April 30, 2020 totaled \$ 17,829,763 compared to \$ 17,148,084 at July 31, 2019. The increase of \$ 691,679 is mainly due to the increase in liquidity of \$ 1,862,943, partially offset by a decrease \$ 201,471 in accounts receivable and \$ 198,957 in other current assets as well as a decrease of \$ 780,836 in property, plant and equipment and intangible assets, due to an amortization charge of the same amount.



Total liabilities as at April 30, 2020 are \$ 8,170,771 compared to \$ 7,071,239 as at July 31, 2019, an increase of \$ 1,099,532, mainly due to an increase of \$ 686,141 in operating debts and \$ 500,000 in long-term debt as well as \$ 62,173 in debentures, partially offset by a decrease in deferred taxes of \$ 148,782.

Financing activities

Cash generated by financing activities for the six months ended April 30, 2020 is attributable to the increase in long-term debt \$ 500,000, as well as to the private placement totaling \$ 2,221,452, net of related costs \$ 7,648 and intermediation fees of \$ 15,900.

To date, the Company has financed its activities through private placements for shares and subscription rights as well as the issue of convertible debentures and government securities. The Company's profitability is based on factors such as its ability to market, sell and distribute its cosmeceutical and pharmaceutical products, as well as the success of the various clinical studies and the various approvals of regulatory bodies in addition to its 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 of June 23, 2020, the number of shares issued and outstanding reached 82,250,074 while the number of options outstanding granted under the stock option plan was 3,295,000. The Company also had 8,403,361 warrants allowing holders to subscribe for a subordinate voting share of the Company at a price of \$ 1.19 per share, as well as 4,013,871 warrants, allowing holders to subscribe for one right share the Company's subordinate voting rights ranging from \$ 0.218 to \$ 1.00. (See notes 13 and 14 to our financial statements).

9. RELATED PARTY TRANSACTIONS

The main executives are the president of the Company, the president of the subsidiary, the interim financial director, and the directors. During the nine-month period, the Company granted them total compensation valued at \$ 493,247 (2019 - \$ 475,472) which was recorded in administrative expenses and whose main components are \$ 207,000 in salaries and benefits, \$ 150,000 in management fees and finally \$ 136,247 as an expense attributable to stock-based compensation.

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 during the nine-month period ended April 30, 2020 resulted in the issuance of the Company's shares and an additional tranche of long-term debt.

Exchange rate risk

During the quarter ended April 30, 2020, the Company completed a few foreign currency transactions with a minimum value. Management will evaluate options to deal with future changes in the Canadian dollar against the US dollar, should the value of foreign currency transactions be significant. Financial charges as well as general administrative expenses could be influenced by these financial instruments.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of interest rate fluctuations on its debt with the Private Lender Group, which bears interest at a variable rate. Based on the net exposures presented above as at April 30, 2020, and assuming all other variables remain constant, a 1% increase or decrease in the interest rate would result in an increase or decrease of approximately \$ 26,250 of the Company's net loss for the nine-month period ended April 30, 2020.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulty meeting commitments related to financial liabilities. As at April 30, 2020, the Company had current debts of \$ 2,561,785. The Company's operating and capital expenditure budgets as well as major operations outside the normal scope of its activities are reviewed and approved by the Board of Directors. The Company monitors its liquidity, enabling it 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 73% 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.

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. 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, 2019 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 April 30, 2020, no change in accounting policy that could have an impact on the financial statements has occurred.

Comparative information

Certain figures as at April 30, 2019 have been reclassified to conform to the presentation for the 2020 fiscal year. An amount of \$ 73,556, which was classified as cost of sales in 2019, was applied to reduce sales in accordance with the 'IFRS 15. A total of \$ 1,866,304 in expenses related to promotion and marketing expenses, which had been classified in cost of sales in 2019, was reclassified to administrative expenses.

Going concern

The Company has incurred losses since its inception and anticipates that losses will continue for the foreseeable future. However, management believes that the business combination that occurred last 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 also on its ability to source from its pharmaceutical suppliers, its ability to distribute its products while generating positive cash flows and to obtain, in a timely matter, further financing to complete research and development projects, and to market its developed products, 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 Company's control and its ability to successfully complete such financings and agreements is tinged with material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Furthermore, the recent emergence of a new, highly contagious form of coronavirus [COVID - 19], which the World Health Organization declared to be a pandemic in March 2020, has resulted in numerous deaths, which have adversely affected global trade. and contributed to significant volatility in global equity and the debt markets. The impact of the epidemic is evolving rapidly, and most countries around the world have responded with severe restrictions. These measures, along with the general uncertainty surrounding the dangers of COVID-19, have resulted in significant disruption of economic activity, and have had a negative impact on several industries.

The Company continues to operate during the current pandemic. For the time being, the company's supply chain remains intact and research and development activities continue. The Company will continue to monitor the evolution of the pandemic and continuously assess the potential impact it may have on its business, including the supply chain, customer demand and clinical trials. The situation is constantly changing, and the final duration and extent of the economic and financial impacts on the business are not known at this stage, so it is not possible to estimate and disclose its financial effects for the time being.



12. SUBSEQUENT EVENTS

On June 4, 2020, the Company announced a Strategic Alliance with CannTx Life Sciences Inc. (“**CannTx**”), a privately-owned cannabis producer licensed by Health Canada under the Cannabis Act.

Under the terms of the agreement, the Parties have formed a Strategic Alliance to cooperate in the research, development, manufacturing, and commercialization of pharmaceutical products derived from cannabinoids. CannTx has granted the worldwide exclusivity to its micropropagation technologies and know-how and to its Steadystem for germplasm validation for the development of botanical drug products, with human and veterinary applications, as defined by the US Food and Drug Administration/Botanical Drugs Regulations and on a non-exclusive basis for all other sectors, including the agricultural. Under similar terms, Devonian has granted exclusive access to its pharmaceutical expertise and platform, its Cannabis Research License, and drug development knowledge for the development of the cannabinoid-based Pharmaceutical Products and on a non-exclusive basis for all other sectors. It is expected that the Strategic Alliance will be rolled into a Limited Partnership, or any other legal entity, within the next 12 months.

About CannTx Life Sciences Inc.

CannTx Life Sciences Inc. is a privately-owned cannabis producer, with exceptional biotechnology and horticulture capabilities. Founded in 2013, CannTx operates a 30,000 sq ft. facility, just South of Guelph ON, under both a Standard Cultivation and Standard Processing authorization from Health Canada. CannTx benefits from its collaboration with the University of Guelph. CannTx operates a commercial-scale *in vitro* plant tissue culture lab, a Biosafety Laboratory Level 2 microbiology lab, 8 precision-controlled growth environs for flower production, and a photobiology lab for crop optimization.

CannTx’s tissue culture capabilities diversify its revenue opportunities through its Steadystem Solutions division, providing germplasm cleaning, validation, storage, and propagation services to other cannabis cultivators and breeders. Leveraging local analytics services providers, paired with CannTx efficient and productive cannabis cultivation operations, and its growing *in vitro* library of clean strains, CannTx is uniquely positioned to provide the most robust suite of germplasm validation services, and a superior platform for germplasm commercialization.

On June 10 , 2020, the company announced that it has completed the patient enrollment in its Phase 2 trial to evaluate the efficacy and safety of Thykamine™ for the treatment of mild-to-moderate atopic Dermatitis (“**AD**”) in adult patients. Top-line results for the trial are expected to be reported November 2020.