Q3- 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR THE QUARTER ENDED APRIL 30, 2021.

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, 2021. It also provides a review of our performance by comparing the Company's results of operations on a consolidated basis, for the three-month and the nine-month periods ended April 30, 2021, with the three-month and nine-month periods ended April 30, 2020. It should be read in conjunction with the consolidated and audited financial statements of the Company for the years ended July 31, 2020 and July 31, 2019. 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 17, 2021. 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 is now bearing the name of "Thykamine™".
In addition to benefiting from a pharmaceutical complex extraction facility in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first cosmeceutical product developed by Devonian, is an anti-aging treatment for women, consisting of day creams, night cream and eye contour. R-Spinasome®, Devonian's proprietary natural active ingredient, is an integral part of this product, ready for marketing under the brand name Purgenesis ™. Purgenesis™ have earned the designation of being the first product distributed by dermatologists to be recognized by the Skin Health Program™ of the Canadian Dermatology Association. Backed by objective medical specialists and led by an Expert Advisory Board, the CDA Program provides advice for the maintenance of healthy skin, hair, and nails.

This product is patented in Canada, Europe, Japan, and United States.

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

Pantoprazole Magnesium belongs to the family of medications called proton pump inhibitors (PPIs). Proton pump inhibitors are used to relieve symptoms of acid reflux or gastroesophageal reflux disease (GERD) also known as heartburn or acid regurgitation. They are also used to treat conditions requiring reduction of stomach acid, such as gastric (stomach) or duodenal (intestinal) ulcers, in combination with antibiotics in many instances.

Cleo-35® is a drug that contains a combination of two ingredients: cyproterone and ethinyl estradiol. Cyproterone belongs to a group of medicines called antiandrogens. Ethinyl estradiol belongs to a group of medicines called estrogens. Together, they are used to treat hormonal acne in women. This medicine works by regulating the hormones affecting the skin.

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

4. HIGHLIGHTS FOR THE QUARTER ENDED APRIL 30, 2021

Atopic dermatitis (AD) research and development

On March 25, 2021, the Company disclosed some results of the Phase 2 clinical study of Thykamine ™ for the treatment of mild to moderate atopic dermatitis ("AD") in adults.

In this phase 2, randomized, double-blind, multicenter, placebo-controlled study lasting 4 weeks, adult patients with mild to moderate AD were randomized to receive Thykamine ™ cream 0.05%, 0.10%, 0.25% or vehicle cream (placebo), administered twice daily. The primary efficacy endpoint was the success rate as determined by the Investigator's Global Assessment (IGA) and defined as the percentage of patients with an IGA score of 0 or 1 with a reduction greater than or equal to 2 grades, at week 4. Secondary endpoints included body surface area (BSA), pruritus and Patient oriented Eczema Measure ("POEM"). A total of 162 patients, spread over several sites in Canada, were recruited for this study.

The success rates determined by the IGA at week 4 were 6.7% for placebo (vehicle cream), 19.0% for Thykamine™ cream 0.05% (p = 0.053 vs placebo), 30.8 % for Thykamine ™ 0.10% (p = 0.014 vs placebo) and 12.1% for Thykamine ™ 0.25% (p = 0.461 vs placebo). The success rate for Thykamine ™ 0.10% cream was not only achieved at week 4 but also at week 3 (p = 0.04), demonstrating the rapidity of the therapeutic effect. Thus, Thykamine ™ 0.10% cream was chosen for the phase 3 trials.
In addition, Thykamine ™ showed statistically significant differences compared to placebo in the key secondary efficacy endpoint, BSA, pruritus and POEM.
Finally, Thykamine™ was well tolerated as very few adverse events (AEs) were reported.

The efficacy of Thykamine™, obtained during this clinical trial, was in line with the Company's expectations and compares favorably with the results published on other therapeutic products such as phosphodiesterase (PDE4) inhibitors and calcineurin3 inhibitors, demonstrating that a Botanical Drug candidate could be as effective as products derived from chemical synthesis. The positive results of this study allow the Company to continue in phase 3 of clinical development in adult patients. The Company is also planning a clinical trial in the pediatric patient population.

The clinical trial results were provided to a medical writer in order to prepare a manuscript to be submitted to a peer review scientific journal. The final manuscript should be submitted for publication by end of July 2021.

Thykamine™ mechanism of action

A study related to Thykamine™ mechanism of action was initiated in a specialized laboratory. The study objectives are to:
-Compare the antioxidant properties of Thykamine™ to five other products.
-Study the Thykamine™ bioavailability at the cellular level.
-Study Thykamine™' properties related to skin cell health.
- Effect of Thykamine™ on immune activation and modulation.
The company expects the first results covering the antioxidant properties in June 2021.

Patents

On March 30, 2021, the Company announced that the United States Patent and Trademark Office (USPTO) issued an admission notice for U.S. Patent Application No. 16 / 347,613, entitled " Composition for the Prevention and / or Treatment of Cardiovascular Disease", covering the use of Thykamine ™ for the treatment of cardiovascular disease.
This opinion justifies the Company's desire to continue the clinical development of Thykamine ™ as an anti-inflammatory drug. This authorization is an addition to the portfolio of patents related to its product. Devonian has filed corresponding patent applications that will allow the Company to seek similar patent protection in other key markets around the world. With inflammatory processes firmly established as central to the development and complications of cardiovascular disease, the previously completed clinical study in ulcerative colitis as well as other non-clinical studies demonstrate that Thykamine™ is a potent immunomodulator with major impact. on inflammatory biomarkers associated with cardiovascular disease.

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

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

Financing

During the April 2021 quarter, the Company was in contact with various brokers and potential investors, in connection with the planning of an upcoming financing, allowing it to begin phase 3 of its clinical study on Atopic Dermatitis at adults and to continue its other research projects, including the clinical study on atopic dermatitis in pediatrics.

Financial Communications

In order to increase its visibility with the financial community, the Company has entered into a service agreement with Renmark Financial Communications Inc. to manage its investor relations activities. In fact, during the months of April and May 2021, the Company participated in various series of live virtual tours of Renmark Financial Communications Inc. (VNDR) to release its latest investor's presentation.

5. SUMMARY OF OPERATING RESULTS FOR THE QUARTER ENDED APRIL 30, 2021.

Net loss

For the quarter ended April 30, 2021, the net loss amounted to $ 806,871 ($ 0.009) per share while for the nine-month period ended on the same date, the net loss was $ 2,457,953 ($ 0.028) per share.

For the same corresponding periods of the previous fiscal year ended April 30, 2020, the Company realized a net loss of $ 990,894 ($ 0.013) per share and $ 3,129,797 ($ 0.045) per share, respectively. This decrease in net loss compared to the previous year is mainly attributable to a significant decrease in costs incurred in Research and Development as well as a decrease in administrative and financial expenses, partially offset by a reduction in distribution income.

Distribution Revenues

During the third quarter, ended April 30, 2021, distribution revenues of $ 255,109 were recorded while these revenues total $ 1,139,995 for the nine-month period ended on the same date. These revenues come from the distribution of Cleo-35 and Pantoprazole Magnesium through its subsidiary Altius Healthcare.
For the same corresponding periods of the previous fiscal year, revenues of $ 379,362 and $ 1,819,040 were recorded by the Company.
This decrease in revenues incurred to date, for 2021, is mainly attributable to the loss of market share of Pantoprazole Magnesium due to supply shortages lasting more than 8 months. The company in active coordination with the supplier is working on strategies to reclaim the lost sales and expects positive results over the next quarters.

According to the partnership announced on February 11, 2020, with the American company SkinScipac Inc. (SkinScipac) whose agreement included payment for the supply of R-Spinasome® on a per kg basis, as well as royalties on gross sales, SkinScipac planned to launch its products in September 2020. However, due to the COVID-19 situation, this launch has been postponed again until the end of 2021.

Operating expenses

Research and development expenses

During the quarter ended April 30, 2021, costs incurred for research and development activities amounted to $ 118,054, while they total $ 524,361 for the nine-month period ended April 30, 2021. These costs are mainly attributable to the costs incurred in the clinical study on atopic dermatitis, to costs related to the maintenance of patents, to the payroll of the employees assigned to this sector as well as to the depreciation of the tangible assets of the Montmagny extraction center. Research and development costs of $ 258,931 and $ 1,286,821 were incurred for the same corresponding periods of the previous year. This decrease is mainly due to the end of the clinical study on atopic dermatitis.

Cost of sales

The cost of products sold, which amounted to $ 360,675 for the quarter ended April 30, 2021, and to $ 1,301,813 for the nine-month period ended on the same date, is made up of the costs of acquiring the products. distributed, distribution costs, royalties, indirect expenses attributable to the distributed products as well as the amortization expense of intangible assets of the Company.
For the same corresponding periods of 2020, cost of goods sold, represented by the same components, was $ 359,010 and $ 1,566,404, respectively.

General administration expenses

The breakdown of General administrative expenses is as follows:

	Three-month period ended April 30, 2021	Three-month period ended April 30, 2020	Nine-month period ended April 30, 2021	Nine-month period ended April 30, 2020
	$	$	$	$
Salaries and emloyee benefits	72,678	107,249	206,327	252,389
Stock based compensation	12,403	107,346	76,919	140,624
Professionnal fees	29,469	34,635	177,359	289,694
property taxes	27,235	27,513	80,729	79,199
Others	216,487	176,285	642,768	815,979
	358,272	453,028	1 184,102	1 577,885

For the third quarter ended April 30, 2021, salary costs amounted to $ 72,678 while for the nine-month period ended April 30, 2021, they amounted to $ 206,327. For the same corresponding periods of the fiscal year ended July 31, 2020, total salary costs were $ 107,249 and $ 252,389, respectively. These charges are mainly related to members of the management as well as the personnel of the extraction plant. This decrease is mainly attributable to the emergency wage subsidy received from Canada, for which the Company was able to benefit.

For the three-month period ended April 30, 2021, a stock-based compensation expense of $ 12,403 (a non-cash charge) was recorded in connection with the granting of options to employees during the financial years 2018 and 2019, according to the stock option plan as well as the granting of options, on March 22, 2021, to a member of the Company's board of directors. This charge amounts to $ 76,918 for the nine-month period ended April 30, 2021. For the same corresponding periods of 2020, a stock-based compensation charge of $ 107,346 and $ 140,624 respectively, had been recorded, following the granting of options to a member of the board of directors and also in connection with options granted to employees during fiscal years 2017 to 2019.

For the quarter ended April 30, 2021, professional fees of $ 29,469 are mainly related to expenses incurred for various corporate work. For the nine-month period ended on the same date, this charge totals $ 177,359 and is explained by costs incurred for the preparation of the financial statements for fiscal 2020 in addition to the various corporate work of the Company.
For the third quarter and the nine-month period, ended April 30, 2020, professional fees in the order of $ 34,635 and $ 289,694 respectively, had been recorded, also for the preparation of the annual financial statements and for various corporate work.

For the quarter and the nine-month period ended April 30, 2021, the property tax expense of $ 27,235 and $ 80,729, respectively, relates to the Montmagny site. There is a respective similar charge of $ 27,513 and $ 79,199 for the same corresponding periods of 2020.

For the three-month period ended April 30, 2021, the other costs of $ 216,467 are mainly attributable to the operating costs of the Montmagny and Altius sites, to travel costs, to various promotional costs and advertising for the products distributed by Altius, management fees, office supplies as well as various costs related to the Company's stock market securities. For the nine-month period ending on the same date, other charges total $ 642,468.

Financial expenses

During the three-month period ended April 30, 2021, financial expenses of $ 224,979 were noted, mainly related to long-term debt and convertible debentures issued in July and August 2018. For the nine-month period, ended on the same date, financial expenses total $ 633,489. Among these costs, for the nine-month period, there are non-cash charges of $ 405,815 related to the amortization of the discount on the debentures, the change in the value of the derivative component of the debentures, as well as interest on the debentures, payable in units of the Company. For the same corresponding periods of fiscal 2020, financial expenses of $ 299,287 and $ 517,727, respectively, were also related to long-term debt and convertible debentures issued in July and August 2018.

The increase in these fees for the nine-month period of 2021, compared to the same corresponding period of fiscal 2020 is mainly explained by the gain of $ 56,687 on the change in the fair value of the derivative related to the convertible debentures. which had been recorded during the nine-month period ended April 30, 2020, thus reducing financial charges by the same amount, while for the same period, ending April 30, 2021, the Company instead recorded a loss of $ 48,770 on the change in the fair value of the derivative, a direct consequence of the increase in the market value of the Company's security.

6. SELECTED QUATERLY FINANCIAL INFORMATION

	Quarter ended								
	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020	April 30 2020	January 31 2020	October 31 2019	July 31, 2019	April 30 2019
	$	$	$	$	$	$	$	$	$
Revenues	255,109	342,967	541,919	324,115	379,362	401,692	1,037,986	150,459	160,658
Net (Loss)	(806,871)	(845,031)	(805,051)	(1,244,979)	(990,893)	(1,316,683)	(822,221)	(808,200)	(1,103,701)
Basic (loss) per share	(0.009)	(0.010)	(0.010)	(0.014)	(0.013)	(0.018)	(0.011)	(0.017)	(0.017)
Diluted (loss) per share	(0.009)	(0.010)	(0.010)	(0.014)	(0.013)	(0.018)	(0.011)	(0.017)	(0.017)

7. FINANCIAL SITUATION

Liquidity and capital resources

As at April 30, 2021, the Company had cash, totaling $ 555,367 compared to $ 913,017 as at July 31, 2020. For the nine-month period ended April 30, 2021, the net decrease in cash amounted to $ 357,650 is mainly attributable to the $ 1,568,748 incurred to finance general operating activities, partially offset by financing activities of $ 1,234,410.

Total assets as at April 30, 2021 amounted to $ 15,047,380 compared to $ 16,696,247 as at July 31, 2020. This decrease of $ 1,648,867 is mainly attributable to the net decrease in tangible and intangible assets, for a total of $ 715,716, as a result of amortization charges, as well as the total reduction of $ 478,128 in accounts receivable and R&D credits receivable and the reduction in cash for a total of $ 357,650.

As for the total liabilities as at April 30, 2021, they amount to $ 6,691,270 compared to $ 7,312,017 as at July 31, 2020, a reduction of $ 620,747, mainly attributable to the decrease in operating debts of $ 901,358, partially offset by an increase in convertible debentures and long-term debt. The increase in convertible debentures, payable in Company's units, is primarily related to the amortization of the discount on convertible debentures and the change in the fair value of the derivative portion of the convertible debentures.

Financing activities

The cash generated by financing activities for the nine-period ended April 30, 2021, is mainly attributable to the Private Placement completed on December 29, 2020.
To date, the Company has financed its activities through private placements of shares and warrants as well as the issuance of convertible debentures.

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

8. OUTSTANDING SHARE DATA

As at June 17, 2021, the number of issued and outstanding shares was 93,460,688 while the number of outstanding options granted under the stock option plan was 7,090,000. The Company also had 9,740,653 warrants, allowing holders to subscribe for one share of the Company's subordinate voting share at a price ranging from $ 0.15 to $ 1.00. (See notes 14 and 15 to our financial statements).

9. RELATED PARTY TRANSACTIONS

The principal executives are the President of the Corporation, the President of the subsidiary, the interim chief financial officer, and the Directors. During the nine-month period ended April 30, 2021, the Company paid them a total remuneration of $ 459,197, which was recorded in administrative expenses and whose main components are $ 233,158 in salaries and benefits, $ 150,000 in management fees and $ 76,036 as stock-based compensation expense for options granted on December 2020 and March 2021 and between 2018 and 2019.
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 nine-month period ended April 30, 2021, resulted in an increase in long-term debt.

Exchange rate risk

During the quarter ended April 30, 2021, the Company completed a few foreign currency transactions with a minimum value.

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, 2021, 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 period ended April 30, 2021.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulty meeting commitments related to financial liabilities. As at April 30, 2021, the Company had current debts of $ 1,730,899. 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 come from the sale of Cléo-35 and Pantoprazole Magnesium. Altius obtains its supplies from third parties and cannot be sure of the manufacture and delivery of these drugs, despite reports of forecasts provided to them.

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

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

Risks 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, 2020 should be referenced for further details regarding significant accounting policies and estimates for the purpose of evaluating and understanding the financial statements of the Company. During the nine-month period ended April 30, 2021, 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. 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.

12. SUBSEQUENT EVENTS

On May 21st, 2021, Devonian was invited to make a presentation at the Canadian India Healthcare Summit. The presentation covered the "Cytokine Storm" in Covid-19 and the Prospect for Botanical Drug's polymolecular approach with an emphasis on the potential benefits of the use Thykamine™.

On May 27, 2021, 200,000 warrants were exercised to acquire 200,000 subordinate voting shares, at a unit price of $ 0.25 per share, for a total consideration of $ 50,000.