Q1-2022
MANAGEMENT REPORT
FOR THE THREE-MONTH PERIOD ENDED OCTOBER 31, 2021

1. INTRODUCTION

This management report provides the reader with an overview of the activities and financial position of Groupe Devonian Inc. ("The Company") as of October 31, 2021. It also provides an overview of the Company's performance by comparing its operating results on a consolidated basis for the three-month period ending October 31, 2021 ("the year 2021") with those of the three-month period ending October 31, 2020 ("the year 2020"). It should be read in conjunction with the Company's consolidated and audited financial statements for the years ended July 31, 2021, and July 31, 2020. The financial data contained in this Management 's Discussion & Analysis report have been prepared by the Management, in accordance with the International Financial Reporting Standards (IFRS), based on the information available as of December 21, 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 will now bear the name of "Thykamine™".
In addition to benefiting from a pharmaceutical complex extraction facility in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first cosmeceutical product developed by Devonian, is an anti-aging treatment for women, consisting of day creams, night cream and eye contour. R-Spinasome®, Devonian's proprietary natural active ingredient, is an integral part of this product, ready for marketing under the brand name Purgenesis ™. Purgenesis™ have earned the designation of being the first product distributed by dermatologists to be recognized by the Skin Health Program™ of the Canadian Dermatology Association. Backed by objective medical specialists and led by an Expert Advisory Board, the CDA Program provides advice for the maintenance of healthy skin, hair, and nails.

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

About Altius Healthcare

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

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

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

4. SUMMARY FOR THE QUARTER ENDING OCTOBER 31, 2021

A) RESEARCH AND DEVELOPMENT

i) Atopic dermatitis (AD)

The positive results of this study which were disclosed during the previous fiscal year, allow the Company to continue, possibly with a pharmaceutical partner, in phase 3 of clinical development in adult patients. The Company is also planning a clinical trial in the pediatric patient population. With Covid-19 having a major impact on the conduct of clinical studies on a North American scale, Devonian is evaluating various strategies for carrying out these studies. Finally, the results of the clinical study were provided to a medical writer in order to prepare a manuscript for submission to a peer-reviewed scientific journal. The final manuscript was submitted for publication in the first quarter of 2022.

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.

ii) Thykamine™ mechanism of action

A study on the mechanism of action of Thykamine ™, initiated in a specialized laboratory during the previous fiscal year, continued during the first quarter of fiscal year 2022. After obtaining positive results in June 2021, regarding the antioxidant properties of Thykamine ™, the study of the bioavailability of Thykamine ™ at the cellular level and the properties of Thykamine ™ linked to the health of skin cells, was initiated in September 2021. Results are expected in the next quarter and could be included in the regulatory dossier for Thykamine ™. In addition, the Company believes that these may be the subject of a patent.

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.

iii) Other pharmaceutical applications of Thykamine™

Hand and Foot Syndrome (HFS) associated to chemotherapy

Hand-and-foot syndrome (HFS) is a well-documented adverse effect of numerous chemotherapeutic agents. The prevalent characteristic manifestations include erythema, dysesthesia, pain, cracking, and desquamation. HFS incidence varies with causative agent. PLD and capecitabine have the highest reported HFS incidence at 40% to 50% and at 50% to 60%, respectively. Sorafenib and sunitinib cause HFS in 10% to 28% and in 10% to 62% of patients, respectively. Withdrawal or dose reduction of the implicated drug usually gives rise to amelioration of the symptoms.

The pathogenesis of HFS is poorly understood. It has been proposed that the predilection of HFS for the palms and soles may be a result of an accumulation of drug in the eccrine ducts in these areas. The Reactive Oxygen Species-Mediated Inflammation (ROS) and Apoptosis has been identified to be a crucial factor in the development of HFS. These ROS induced the release on chemokines and inflammatory cytokines from keratinocytes which induce apoptosis of these cells as well as positive chemotaxis in blood vessels. The physical and psychological burden of HFS should not be underscored. The lack of effective treatment to prevent HFS correspond to an unmet medical need for cancer patients.

As per HFS physiopathology, a new effective treatment should have multi-targets properties such as: decrease ROS production, Modulate TH1/TH2 ratio in order to interfere within the inflammation pathway, decrease TNF-α production, decrease IL-1 production and restore basal layer functions. Pre-clinical and clinical data have shown that Thykamine™ decreases ROS production, TNF-α production and modulates TH1/TH2 ratio. Therefore, the Society believes that it could be effective in the prevention of HFS. Discussions are ongoing with a Cancer Research Hospital for the design and implementation of a clinical trial among cancer patient population. Such a study would be initiated during the third quarter of 2022.

Radiodermatitis associated to radiotherapy

Radiation dermatitis (radiation dermatitis, radiation induced skin reactions, or radiation injury) is one of the commonest side effects of ionizing radiation which is applied in radiotherapy of carcinoma of all localizations, most frequently of tumors of breast, head and neck region, lungs, and soft tissue sarcomas.

More specifically, 95 % of cancer patients receiving radiation therapy will develop some form of radiodermatitis, including erythema, dry desquamation, and moist desquamation2. Erythema is the first visible manifestation, occurring in more than 90 % of these patients, followed by moist desquamation.

An understanding of the pathophysiology of radiation-induced skin changes is essential to appreciating new therapeutics' role in the process. Studies investigating skin toxicity associated with radiotherapy have highlighted a multitude of irregularities within the tissue. Several cytokines are affected by radiotherapy and play a significant role in the development of radiodermatitis. These include TGF-β , interleukin-1, TNF-α. TGF-β affect dermal fibroblasts and inactivate the coagulation cascade through the thrombin pathway. Increased interleukin-1 and TNF-α increase the production of metalloproteases causing the degradation of dermal components. The up-regulation of ICAM-1 with the increase in TNF-α contributes to the inflammatory process.

Radiotherapy additionally causes damage to Langerhans cells, basal cells, and vascular endothelium. The decreased number of Langerhans cells and the depletion of basal layer stem cells lead to impaired barrier and immune function, increasing the risk of wound infection. Damage to vasculature can induce hypoxia and TGF-β production, further driving fibrosis. Tissue hypoxia with associated necrosis can lead to the generation of reactive oxygen species (ROS).

Several endogenous physiologic substances are present to control the effects of ROS, including the superoxide dismutase, catalase, and glutathione peroxidase system. Following radiotherapy, however, ROS overwhelm these systems, leading to excess ROS causing cellular damage. Additionally, these ROS can drive the production of cytokines, perpetuating the cycle of inflammatory changes. Targeting these ROS has been a goal in the development of therapies to prevent and treat radiodermatitis.

Despite significant development in radiotherapy techniques, efficacious interventions in the prevention of acute skin reactions is still lacking for the management of radiodermatitis. Therefore, the treatment should be conducted according to the basic guidelines with preventive measures, including self-care (daily hygiene practices i.e., washing and the use of soaps and deodorants), clothing (i.e., wearing loose-fitted clothing over the site receiving radiotherapy), and diet (e.g., avoiding tobacco and alcohol, and maintaining adequate hydration).

Despite its prevalence, a gold standard does not exist for its prevention and management. Many of the currently used interventions are often based upon anecdotal evidence, poorly powered studies, or physician preferences. Furthermore, trials evaluating topical agents have failed to demonstrate effectiveness in the prevention and management of radiation-induced skin injury. These therapies did not account for the underlying pathophysiology (i.e., dermal damage), a process that involves the disruption of the intricate cellular balance between dermis and epidermis.

The anti-inflammatory, antioxidant, and immunomodulatory properties of Thykamine ™ have been demonstrated by a considerable number of in vitro and in vivo studies. The Company believes that through the multi-target approach offered by Thykamine ™, it may be effective for the prevention and treatment of Radiodermatitis. The Company plans to initiate a phase 2 study (proof of concept) in Q4-2022.

B) DERMA COSMECEUTICAL PRODUCTS

The partnership with the American company SkinScipac Inc. (SkinScipac), announced in 2020, and which entered into an exclusive sales and marketing agreement, comprising the supply of R-Spinasome® on a per kg basis as well as royalties on sales gross of products marketed by SkinScipac, will allow the Company to record royalty income during the next quarter. The start of SkinScipac's marketing activities had been postponed several times, due to the situation related to COVID-19. Recent advertising activity has taken place in the United States, and further launch activities are planned by SkinScipac.

On August 31, 2021, the Company finalized an agreement with Nexcure Pharma PVT Ltd ("Nexcure"), a leading pharmaceutical company, present in India and in the AfMO region. The agreement grants Nexcure the exclusive right to distribute, market and sell Purgenesis™ cosmeceuticals, in countries of the Middle East. Under the terms of the agreement, Nexcure, through its subsidiary Nexcure FZE, will distribute, market and sell the full line of Purgenesis™ cosmeceuticals in a segment of the pharmaceutical market, including medical spas, cosmetic surgery clinics and other medical clinics. Nexcure will be responsible for the registration of Purgenesis™ in all target countries in the Middle East, including the United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Oman, Jordan, Iraq and Kuwait. The term of the agreement is for five years.

The company is currently in discussions with other companies targeting distribution in other territories.

The Company also plans to initiate, during the first 2 quarters of 2022, the development of 2 other products based on R-Spinasome®, namely a serum and a regenerating balm.

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).

C) FINANCING

On August 4, 2021, and September 21, 2021, the Company issued 101,202 units and 78,078 units respectively, at a unit price of $ 0.49 and $ 0.45 in exchange for the $ 49,589 and $ 35,136 of interest owed in July and August 2021 to holders of debentures issued in July and August 2018. Each unit consists of one subordinate voting share and one warrant. Each warrant entitles its holder to subscribe to one subordinate voting share of the share capital of the Company at a price of $ 0.64 and 0.59, respectively, for a period of 48 months.

During the first quarter of fiscal 2022, the Company was in contact with various brokers and potential investors, in connection with the planning of private financing, allowing it to pursue its research projects, including the clinical study on atopic dermatitis in pediatrics.

• On September 13, 2021, the Company completed a private financing, without the intermediary of a broker, by issuing 2,415,090 units at a price of $ 0.44 per unit, for gross proceeds of $ 1,062,640. Each unit is made up of one subordinate voting share and one share purchase warrant. Each warrant entitles its holder to acquire one subordinate voting share at a price of $ 0.50 per share, until September 2023.

• A second private financing, carried out in two tranches, and totaling gross proceeds of $ 10,034,299 was concluded during the month of November 2021 (subsequent events). 33,447,662 units were issued on November 30, 2021, each unit of which is made up of one subordinate voting share and one share subscription warrant giving the holder the right to acquire one share with right subordinate vote at a price of $ 0.40 per share, for a period of two years, following the date of issue.

D) GOVERNANCE

On September 30, 2021, the Company announced the appointment of Mr. Martin Moreau, as Vice-President finance and as a new member of its board of directors. Mr. Moreau, experienced in the field of entrepreneurship, business management and financing, will participate in the search for partnership and marketing opportunities.

5. SUMMARY OF OPERATING RESULTS FOR THE QUARTER ENDED OCTOBER 31, 2021

NET LOSS

For the quarter ended October 31, 2021, net loss attributable to shareholders amounted to $ 848,227 ($ 0.009 per share) compared to a net loss of $ 805,051 ($ 0.010 per share) for the same corresponding period of the previous exercise. This slight increase in the net loss compared to the corresponding period of the previous fiscal year is mainly attributable to an increase in administration and financial expenses, partially offset by a decrease in research and development expenses and the cost of sales.

REVENUES

During the three-month period ended October 31, 2021, revenues of $ 440,423 were recorded, primarily from the distribution of Cléo-35 and Pantoprazole Magnesium through its subsidiary Altius Healthcare. For the same corresponding period of the previous fiscal year, revenues for the distribution of these two products totaled $541,919. This decline in revenues is attributable to several factors, including the decrease in market share of Pantoprazole at the expense of a similar product, following the interruption of its supply for several months. Altius is trying to recover its market share by implementing various strategies. As for the distribution of Cléo-35, sales reached the established forecasts. Management of the Company is continually exploring various business opportunities to maximize revenue and profitability, with the intention of obtaining further distribution rights.

RESEARCH AND DEVELOPMENT

During the three-month period ended October 31, 2021, research and development expenses amounted to $143,002, compared to $ 275,599 for the same quarter last year. These costs are mainly attributable to costs related to the clinical study on Atopic Dermatitis, patent maintenance costs, the payroll of employees assigned to this sector as well as the depreciation of the tangible assets of the center. extraction from Montmagny. The significant decrease in research and development costs is mainly explained by the end of the Phase II clinical study on Atopic Dermatitis, i.e. the costs incurred for the study started in June 2017.

COST OF SALES

The cost of products sold, which amounted to $ 440,423 for the first quarter of fiscal year 2022, is made up of acquisition costs, distribution, royalties and direct charges attributable to products sold by our subsidiary Altius Healthcare, as well as an amortization charge of intangible assets of $ 189,463. For the same quarter of the previous year, these costs totaled $ 545,297 and were also attributable to the same products sold by Altius and to a depreciation charge of $189,673. This decrease in cost of sales is directly related to the decrease in sales of Pantoprazole Magnesium.

OPERATING EXPENSES

General administrative expenses

The allocation of positions related to overhead is as follows:

	Three-month period ended October 31 , 2021		Three-month period ended October 31, 2020
	$		$
Salaries	106,641		52,036
Stock based compensation	36,402		5,803
Professionnel Fees	129,527		79,106
Property taxes	28,127		27,544
Others	199,667		218,388
	500,364		382 877

For the quarter ended October 31, 2021, general administrative expenses amounted to $ 500,364 compared to $382,877 for the quarter ended October 31, 2020. This increase compared to the corresponding period of the previous fiscal year is mainly due to the increase in salary costs, professional fees and expenses relating to stock-based compensation.

The increase in salaries and payroll taxes compared to those recorded in the corresponding quarter of the previous fiscal year is mainly attributable to the subsidy under the government program of Emergency Wage Subsidy of Canada for which the Company had benefited during the Previous year.

The stock-based compensation expense of $ 36,402 (a non-cash charge) consists mainly of an amount that was recognized following the grant of 150,000 options, to a director and consultant, in September 2021. For the quarter ended October 31, 2020, this charge, which amounted to $ 5,803, was mainly related to options granted in 2018 and 2019.

The increase in professional fees compared to the previous year is mainly explained by the costs related to the preparation of the annual financial statements and those related to the various development projects and corporate affairs of the Company.

The other costs, which total $ 199,667, are attributable to the operating costs of Altius and the Montmagny site, travel costs, management fees, office supplies as well as costs related to stock market securities of the society. These costs are similar to those recorded during the same corresponding period of the previous financial year.

FINANCIAL EXPENSES

Financial expenses amounted to $ 197,239 for the quarter ended October 31, 2021, compared to $ 148,459 for the same corresponding period of the previous fiscal year. Of these financial expenses, $ 74,545 is attributable to interest paid on long-term debt. Financial expenses also include net non-cash charges totaling $ 121,557 which relate to the amortization of the discount on debentures, to interest charges payable in Company units and to the unrealized gain on the variation of the fair value of the derivative embedded in the convertible debentures issued in July 2018 and August 2018. These net non-cash charges totaled $ 72,896 for the corresponding quarter of the previous fiscal year, and mainly explain the increase in financial expenses.

6. QUARTERLY INFORMATION

	Three-month period ended								
	October 31, 2021	July 31, 2021	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31 2020	October 31, 2019
	$	$	$	$	$	$	$	$	$
Revenues	440,423	334,695	255,109	342,967	541,919	324,115	379,362	401,692	1,037,986
Net (loss) income	(848,227)	(888,727)	(806,871)	(846,031)	(805,051)	(1,244,979)	(990,893)	(1,316,683)	(822,221)
Net (loss) income per share	(0.009)	(0.009)	(0.009)	(0.010)	(0.010)	(0.014)	(0.013)	(0.018)	(0.011)
Diluted (loss) income per share	(0.009)	(0.009)	(0.009)	(0.010)	(0.010)	(0.014)	(0.013)	(0.018)	(0.011)

7. FINANCIAL SITUATION

Liquidities and capital resources

As at October 31, 2021, the Company had cash, totaling $ 848,731 compared to $ 344,795 as at July 31, 2021. For the quarter ended October 31, 2021, the net increase in cash of $ 503,936 is mainly attributable to the activities of financing totaling 1,011,991 which were only partially offset by funds used for operating activities totaling $ 508,055. The Company estimates that it will be able to adequately finance its activities and meet its cash flow needs over the next 12 months taking into account the additional financing obtained in November 2021. (See subsequent events)

Total assets as at October 31, 2021 amounted to $ 14,910,116 compared to $ 14,607,745 as at July 31, 2021. The increase is mainly due to the increase in short-term receivables and cash, partially offset by the decrease of tangible and intangible assets following depreciation charges.

Total liabilities as at October 31, 2021 amounted to $ 7,051,710 compared to $ 7,084,260 as at July 31, 2021, a slight decrease, mainly due to the decrease in operating debts, but partially offset by an increase in value convertible debentures, in connection with the amortization of the discount on convertible debentures.

Financing activities

The cash generated by financing activities for the quarter ended October 31, 2021, is mainly attributable to the net proceeds of $ 1,011,134 for the issuance of new shares and warrants through a private placement that occurred. in September 2021.

To date, the Company has financed its activities through private placements of common shares and subscription rights as well as the issuance of convertible debentures and operating income generated by its subsidiary.
The Company's profitability is based on factors such as its ability to market, sell and distribute its cosmetics and pharmaceutical products, the success of the various clinical studies, the various approvals of the regulatory bodies as well as the ability to obtain the necessary funding. The Company's ability to continue as a going concern depends on its ability to realize other types of financing and its ability to generate profitable sales.

8. OUTSTANDING SHARE DATA

As at December 21, 2021, the number of issued and outstanding shares was 129,502,720 while the number of outstanding options granted under the Stock Option Plan was 8,060,000. The Company also had 44,839,085 warrants entitling the holders to subscribe for one subordinate voting share of the Company at a price ranging from $ 0.15 to $ 0.64.

9. RELATED PARTY OPERATIONS

The principal officers of the Company are the president, the president of the subsidiary, the interim financial director, and the directors. During the three-month period ended October 31, 2021, the Company paid them a total compensation of $ 180,380, including $ 94,080 in salaries and benefits, $ 50,000 in management costs and $ 36,300 form of stock-based compensation.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Exchange rate risk

During the three-month period ended October 31, 2021, 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 October 31, 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 $8,822 of the net loss of the Company for the three-month period, ended October 31, 2021.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in honoring commitments related to financial liabilities. As at October 31, 2021, the Company had current debts of $ 1,748,908. The operating and capital expenditure budgets of the Company as well as major operations outside the normal framework of its activities are reviewed and approved by the board of directors.

Risk of economic dependence (Altius)

The revenues of Altius Healthcare (Altius) currently come from the sale of Cléo-35 and Pantoprazole Magnesium. Altius obtains its supplies from third parties and cannot be sure of the manufacture and delivery of these drugs, despite reports of forecasts provided to them.
A break in the supply of Pantoprazole Magnesium would have a negative impact on the company's revenues.
In order to reduce the associated economic risk, Altius' strategy is to acquire rights to market other pharmaceutical products.

Risks related to research and development operations

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

Risks related to our shares

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

11. SUBSEQUENT EVENTS

On November 12, 2021, the Company completed a first tranche of a non-brokered private placement by issuing 7,640,665 units at a price of $0.30 per unit for aggregate gross proceeds of $2,292,199. Each unit consists of one subordinate voting share and one share purchase warrant. Each warrant will entitle its holder to purchase one subordinate voting share, at a price of $0.40, until November 13, 2023.

On November 30, the Company closed a second tranche of a non-brokered private placement by issuing 25,806,997 units at a price of $ 0.30 per unit for total gross proceeds of $ 7,742,099.10. Each unit being composed of one subordinate voting share and one share purchase warrant conferring on its holder the right to acquire one subordinate voting share at a price of $ 0.40 up to as of November 29, 2023.

The combination of the two financing tranches therefore results in the issuance of a total of 33,447,662 units for total gross proceeds of $ 10,034,299. This placement has received conditional approval from the TSX Venture Exchange and remains subject to final approval by the TSX Venture Exchange.

12. CRITICAL ACCOUNTING POLICIES AND ESTIMATE

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, 2021, 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.

Continuity of operations

The Company has incurred losses since its inception and expects that this situation will continue in the foreseeable future. The Company's liquidities are limited considering its ongoing projects. Consequently, the Company's ability to continue as a going concern depends on its ability to obtain, in a timely matter, further financing to complete research and development projects and market products, achieve profitable operations while generating positive cash flows. No assurance can be given in that matter. Further financing will continue to be required since it is impossible to estimate when the Company will achieve profitability. Management continues to negotiate further financing and different agreements that could create positive cash flows. The success of these negotiations is contingent on many factors outside the Company's control and there is substantial uncertainty about the Company's ability to successfully complete such financings and agreements that may cast significant doubt on the Company's ability to continue as a going concern. However, the Company believes that the private funding obtained during the month of November 2021 will allow it to pursue its promising research projects.