2021
MANAGEMENT REPORT - FOR THE YEARS ENDED JULY 31, 2021, AND 2020 AND THE QUARTER ENDED JULY 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 July 31, 2021. It also provides an overview of the Company's performance by comparing its operating results on a consolidated basis for the twelve-month period ending July 31, 2021 ("the year 2021") with those of the twelve-month period ending July 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 November 22, 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. HIGHLIGHTS 2021

The main objectives of our business plan for 2021 were initially to be able to disclose the results of the phase 2 clinical trial in adult patients with mild to moderate atopic dermatitis (AD), to work with our new partner for the distribution of our anti-aging technology, and finally, to develop a communication strategy with investors.

These objectives were aimed at ensuring the Company's growth and targeted the development of the market for its products and its technology, to achieve an increase in its liquidity.

A) RESEARCH AND DEVELOPMENT

i) Atopic dermatitis (AD)

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 calcineurin 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, possibly with a pharmaceutical partner, to 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.
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 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.

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.

ii) Thykamine™ mechanism of action

A study related to Thykamine™ mechanism of action was initiated in a specialized laboratory. The study objectives are to:

1. Compare the antioxidant properties of Thykamine™ to five other products;
2. Study the Thykamine™ bioavailability at the cellular level;
3. Study Thykamine™' properties related to skin cell health;
4. Effect of Thykamine™ on immune activation and modulation.

The company obtained the first results covering the antioxidant properties in June 2021. These latter being positive, the activities relating to objectives 2. and 3. above mentioned, were initiated in September 2021 with expected results in

December 2021.The results obtained could be incorporated into the regulatory file for Thykamine. In addition, the Company believes that these may be the subject of a patent.

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.

iv) Pharmaceutical medications based on cannabinoids.

On October 3, 2019, Devonian announced that it had obtained a research licence from Health Canada under the Cannabis Act and the Cannabis Regulations. The license gives Devonian the opportunity to begin its pharmaceutical cannabinoids research program at its facility in Montmagny, Quebec. The license also includes satellite research sites located in the laboratories of Dr. Suha Jabaji, PhD (McGill University) and Dr. Louis Flamand, PhD, MBA (Laval University) and Dr. François Malouin (University of Sherbrooke).

On June 4, 2020, Devonian announced an exclusive strategic alliance with Ontario-based CannTx Life Sciences (CannTx) for the development of cannabinoid-based pharmaceutical drugs. CannTx, with its expertise in tissue culture and micropropagation technology, is the ideal strategic partner for our cannabinoid-based pharmaceutical program. Devonian will now have access to a raw material with a consistent cannabinoid profile, both within and between batches, essential in a pharmaceutical drug development program. Devonian will work closely with CannTx to implement standard pharmaceutical operational procedures (SOPs). These SOPs will enable Devonian to monitor, document and trace the identification and traceability of products, from the genetic profile of the plant to the associated cannabinoid content and the final pharmaceutical product. Under the terms of the agreement, the parties formed a strategic alliance to cooperate in the research, development, manufacture, and marketing of cannabinoid-derived pharmaceuticals. CannTx has granted worldwide exclusivity to its micropropagation technologies and know-how and its Steady stem for the validation of genetic material for the development of botanical pharmaceuticals, with human and veterinary applications, as defined by the U.S. Food and Drug Administration/Botanical Drugs Regulations and on a non-exclusive basis for all other sectors, including agriculture. In similar terms, Devonian has granted exclusive access to its expertise and pharmaceutical platform, its cannabis research license, and its knowledge of drug

development for the development of cannabinoid-based pharmaceuticals on a non-exclusive basis for all other sectors. The strategic alliance is expected to be transformed into a limited partnership or any other legal entity over the next 12 months.

In June 2020, Devonian finalized its main cannabinoid-based pharmaceutical program to develop new antimicrobials and antivirals for human, veterinary and agricultural applications. The Company obtained financial assistance from the Mitacs Accelerate program to initiate the project at McGill University where a new antimicrobial discovery program is underway. This research focuses on the presence of antimicrobials in the sap and oil extracted from cannabis. The Company expects to deliver results in fiscal year 2022.

v) Letter of intent with Histapharm Inc.

In June 2019, Devonian signed a letter of binding intent ("LOI") to negotiate the terms establishing the Devonian extraction site as the exclusive site for the extraction and manufacture of Histapharm's botanical drug. Histapharm's product targets the degradation of histamine, a different approach to treatments using antihistamine technologies. The ACT also includes the establishment of a strategic partnership focused on the development of new products for dermatological applications.

The extension of the extraction process related to Histapharm's product is underway in an applied research centre. The scaling was completed in June 2021. Discussions are underway with the Company regarding the rights to the extraction technology. These discussions focus on the transfer of the extraction process to the Devonian facilities.

vi) 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.

B) DERMA COSMECEUTICAL PRODUCTS

In February 2020, the Company announced a partnership with the American Company SkinScipac Inc. (SkinScipac) 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 gross sales of products marketed by SkinScipac.

The product launch planned by SkinScipac, which was to take place in fall 2020, has had to be postponed several times, due to the COVID-19 situation. At the start of 2021, SkinScipac started its marketing activities in the Scandinavian countries and further launch activities are planned during September 2021.

In July 2021, advertising activities took place in the United States, through the intermediary of the 15 most recognized publishers.

As for the distribution in Canada of the Purgenesis anti-aging product line, through Altius Healthcare (Altius), the subsidiary of Devonian, the Company is trying to find partners to assist Altius in the marketing of its product, the

Purgenesis product line. Altius, being more specialized in the sale and distribution of prescription drugs, was therefore facing a first experience in the cosmeceutical field.

During the last quarter of 2021, Devonian entered into discussions with an Indian Company, for the distribution of its Purgenesis anti-aging product line, via the pharmaceutical market of a territory covering the United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Oman, Jordan, Iraq and Kuwait. The deal is expected to be finalized in the first quarter of 2022.

The Company 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 December 29, 2020, the Company completed a private financing, with the issuance of 10,100,000 units at a price of $ 0.12 per unit, for gross proceeds of $ 1,212,000. Each unit is made up of one subordinate voting share and one-half share purchase warrant. Each warrant grants its holder the right to acquire one subordinate voting share at a price of $ 0.15 until December 29, 2022.

During the second half of 2021, the Company was in contact with various brokers and potential investors, in connection with the planning of an upcoming private financing, allowing it to continue its other research projects, including the clinical study on the Atopic dermatitis in pediatrics. Private financing was concluded in the fall of 2021 (subsequent events).

D) FINANCIAL COMMUNICATION

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 second half of 2021, the Company participated in various series of live virtual tours of Renmark Financial Communications Inc. (VNDR) in order to disclose its latest corporate presentation to investors. These virtual meetings took place with various investment firms in Toronto, Montreal, Los Angeles, Chicago, Vancouver, and Boston.

5. KEY FINANCIAL INFORMATION

	Year ended July 31, 2021	Year ended July 31, 2020
	$	$
Distribution revenues	1,474,690	2,143,155
Operating expenses		
Research and development expenses	610,252	1,536,832
Cost of sales	1,715,592	2,213,272
Administratives expenses	1,454,807	2,478,179
Financial expenses	1,086,235	517,615
Loss before other items and income taxes	(3 392 196)	(4,602,743)
Other items	45,816	227,967
Loss before income taxes	(3,346,380)	(4,374,776)
Net loss and comprehensive loss	(3,346,380)	(4,374,776)
Net loss per share	(0,038)	(0,059)
Total Assets	14,607,745	16,696,247
Total liabilities	7,084,260	7,312,017
Shareholder's equity	7,523,485	9,384,230

NET LOSS

For the year ended July 31, 2021, the net loss attributable to shareholders amounted to $ 3,346,380 ($ 0.038 per share) compared to a net loss of $ 4,374,776 ($ 0.059 per share) for the previous fiscal year. This decrease in net loss compared to the previous year is mainly attributable to a decrease in research and development costs of $ 926,580 and a decrease in administration costs of $ 1,023,372, partially offset by an increase in financial expenses of $ 568,620 compared to 2020. In addition, in 2020, the Company recorded other income totaling $ 227,967 for 2020, while other income is rather $ 45,816 for 2021.

REVENUES

During the year ended July 31, 2021, revenues of $ 1,474,690 were recorded. These revenues come mainly from the sale of Cléo-35 and Pantoprazole Magnesium via its subsidiary Altius Healthcare. For the previous year ended on the same date, revenues of $ 2,143,155 were recorded, also from the sale of Cleo-35 and Pantoprazole Magnesium through its subsidiary Altius Healthcare. 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. During fiscal year 2021, the supply situation for Pantoprazole Magnesium has stabilized and 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, in the hope of securing further distribution rights.

In June 2018, the Company announced the commercial launch of the Purgenesis™ anti-aging treatment. Altius Healthcare (Altius), the subsidiary of Devonian, has failed to market the Purgenesis anti-aging product line, being more specialized in the sale and distribution of prescription drugs. Devonian intends to find provincial partners to assist Altius in marketing the Purgenesis ™ line of products within the Canadian physician network.

RESEARCH AND DEVELOPMENT

During the year ended July 31, 2021, research and development expenses amounted to $ 610,252, compared to $ 1,536,832 for the previous 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 extraction center of Montmagny. The significant drop in research and development costs is mainly due to the end of the Phase II clinical study on Atopic Dermatitis, ie the costs incurred for the study started in June 2017. Note that the total amount of 610,252 $ is net of the reimbursement in the form of a research and development credit of $ 16,251 which will be claimed from government authorities for fiscal year 2021. During fiscal year 2021, the Company received all of the credits claimed for the fiscal year 2020, i.e. $ 164,773.

COST OF SALES

The cost of products sold, which amounted to $ 1,715,592 for fiscal year 2021, is made up of acquisition, distribution, royalties, and others direct charges attributable to products sold by our subsidiary Altius Healthcare, as well as an amortization charge of intangible assets of $ 765,733. For fiscal 2020, these costs, which totaled $ 2,213,272, were also attributable to the same products sold by Altius and to a depreciation charge of $ 768,874. 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:

	Year ended July 31, 2021		Year ended July 31, 2020
	$		$
Salaries	263,445		302,378
Stock based compensation	82,720		344,104
Professionnel Fees	246,868		435,118
Property taxes	107,882		107,027
Promotion and Marketing	108,176		613,257
Others	645,716		676,295
	1,454,807		2,478,179

For the year ended July 31, 2021, general administrative expenses amounted to $ 1,454,807 compared to $ 2,478,179 for the year ended July 31, 2020. This decrease compared to fiscal 2020 is mainly due to lower costs related to the promotion and marketing of programs for products distributed by Altius, lower costs relating to stock-based compensation, other costs, and professional fees.

The decrease in salaries and payroll taxes compared to 2020 is mainly attributable to the subsidy under the government's Emergency Wage Subsidy program.

The stock-based compensation expense of $ 82,720 (a non-cash charge) consists of an amount of $ 59,509 which was recognized following the grant of 801,645 options in December 2020 and 60,000 options in March 2021, respectively to a member of management and to a director, according to the stock option plan. In addition, a charge of $ 23,211 is attributable to options granted during fiscal years 2018 and 2019.
In 2020, stock-based compensation expense amounted to $ 344,104, following the granting of a total of 3,558,355 options to officers and directors, and including a charge for options granted in 2018 and 2019.

The decrease in professional fees compared to the previous year is explained by a decrease in costs related to the various development projects and corporate affairs of the Company.

The reduction in promotion and marketing costs compared to 2020 is related to the reduction in distribution revenues of Pantoprazole in 2021.

The other costs are attributable to operating costs for Altius and the Montmagny site, travel costs, management fees, office supplies as well as costs related to the Company's stock market securities. The decrease in other expenses, compared to 2020, is mainly explained by a rationalization of expenses in terms of travel and travel expenses as well as various travel restrictions, issued by government authorities, in response to the fight against COVID-19.

FINANCIAL EXPENSES

Financial expenses amounted to $ 1,086,235 for the year ended July 31, 2021, compared to $ 517,615 for the previous year. Of the financial charges for 2021, $ 295,746 is attributable to interest paid on long-term debt. Financial expenses also include non-cash charges totaling $ 783,538 related to the amortization of the discount on debentures, interest charges payable in Company units and the unrealized loss on changes in the fair value of the derivative embedded in the convertible debentures issued in July 2018 and August 2018. This increase in financial expenses compared to the previous year is mainly explained by the unrealized gain on the change in the fair value of the derivative embedded in the debentures convertibles which was $ 243,963 in 2020, thereby reducing financial charges substantially, while in 2021, we note an unrealized loss of $ 293,177, mainly attributable to the increase in the stock price of the Company's share during the last quarter of the fiscal year.

6. FOURTH QUARTER

RESULTS

For the quarter ended July 31, 2021, the net loss amounted to $ 888,727 ($ 0.009 per share) while for the same period ended July 31, 2020, the Company had realized a net loss of $ 1,244,979 ($ 0.014 per share).

This decrease in the net loss compared to that recorded during the same quarter of the previous fiscal year is mainly explained by a stock-based compensation expense of $ 278,092 which had been charged during the last quarter of the year. 2020. In addition, research and development costs, which amounted to $ 250,011 for this last quarter of 2020, instead total $ 85,891 for the last quarter of 2021, the majority of costs related to the clinical study on Atopic dermatitis having been attributed to previous quarters.

Financial expenses for the last quarter of 2021 amount to $ 452,746, of which $ 244,407 is attributable to the unrealized loss on the change in the fair value of the derivative embedded in the convertible debentures, due to the increase in the stock market price of the title of the Company during this last quarter of the fiscal year. As for the financial charges for the last quarter of 2020, they were ($ 112), due to the unrealized gain on the change in the fair value of the derivative embedded in the convertible debentures, instead reducing the financial charges by $ 187,276 for the latter quarter of fiscal 2020, following a significant decline in the stock price of the Company's security, during this period of 2020.

During the quarter ended July 31, 2021, the Company recorded a total of $ 334,695 in distribution revenues for Cleo-35® and Pantoprazole Magnesium while for the same corresponding period in 2020, a total of $ 324,115 of income had been recorded

7. QUARTERLY INFORMATION

	Quarter ended								
	July 31 2021	April 30 2021	January 31 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31 2020	October 31, 2019	July 31, 2019
	$	$	$	$	$	$	$	$	$
Revenues	334,695	255,109	342,967	541,919	324,115	379,362	401,692	1,037,986	150,459
Net (loss) income	(888,727)	(806,871)	(846,031)	(805,051)	(1,244,979)	(990,893)	(1,316,683)	(822,221)	(808,200)
Net (loss) income per share	(0.009)	(0.009)	(0.010)	(0.010)	(0.014)	(0.013)	(0.018)	(0.011)	(0.017)
Diluted (loss) income per share	(0.009)	(0.009)	(0.010)	(0.010)	(0.014)	(0.013)	(0.018)	(0.011)	(0.017)

8. FINANCIAL SITUATION

Liquidities and capital ressources

As at July 31, 2021, the Company had cash, totaling $ 344,795 compared to $ 913,017 as at July 31, 2020. For the year ended July 31, 2021, the net decrease in cash of $ 568,222 is mainly attributable to expenses. incurred to finance operating activities which were only partially offset by funds generated by financing activities. The Company believes that it will be able to adequately fund its operations and meet its cash flow requirements over the next 12 months considering the additional funding that will be secured in the first quarter of fiscal 2022. (See subsequent events)

Total assets as at July 31, 2021 amounted to $ 14,607,745 compared to $ 16,696,247 as at July 31, 2020. The decrease is mainly due to the decrease in tangible and intangible assets following depreciation charges as well as a reduction in short-term receivables and liquidity.

The total liabilities as at July 31, 2021 amounted to $ 7,084,260 compared to $ 7,312,017 as at July 31, 2020, a decrease mainly due to the significant decrease in operating debts, but partially offset by an increase in the value of the debentures. convertible bonds, related to the amortization of the discount and the unrealized loss on the variation of the derivative of convertible debentures.

Financing activities

The cash generated by financing activities for the fiscal year ended July 31, 2021, is mainly attributable to the net proceeds of $ 1,176,329 for the issuance of new shares and warrants through private placements as well as the exercise of warrants for a total of $ 50,000 and the increase of $ 58,015 in the Canada Emergency Business Account Loan.

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.

9. OUTSTANDING SHARE DATA

As at November 22, 2021, the number of issued and outstanding shares was 103,695,723 while the number of outstanding options granted under the Stock Option Plan was 7,090,000 of which 7,085,000 can be exercised.

The Company also had 19,032,088 warrants entitling the holders to subscribe for one subordinate voting share of the Company at a price ranging from $ 0.15 to $ 0.64.

10. 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 fiscal year ended July 31, 2021, the Company paid them total compensation of $ 480,955, including $ 299,408 in salaries and benefits, $ 100,000 in management fees and $ 81,547 in compensation action based.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Exchange rate risk

During the year ended July 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 July 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 $35,000 of the net loss of the Company for the full year.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in honoring commitments related to financial liabilities. As at July 31, 2021, the Company had current debts of 1,814,016 of which $ 138,736 relates to accrued interest on the debentures, payable in units of the Company. 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

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.

12. SUBSEQUENT EVENTS

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 capital stock of the Company at a price of $ 0.64 and 0.59, respectively, for a period of 48 months.

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 confers its holder the right to acquire one subordinate voting share at a price of $ 0.50 per share, until September 2023.

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 registering 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 five years.

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, management and corporate finance, will participate in the search for partnership opportunities to advance projects through clinical development and marketing.

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. This offering has received conditional approval from the TSX Venture Exchange and remains subject to the final approval of the TSX Venture Exchange.
At the same date, the Company announces its intention to close a second tranche of this offering on or prior to November 26, 2021, for additional aggregate gross proceeds of $3,000,000.

13. 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.