



## **Devonian Health Group Inc.**

Interim Consolidated Condensed Financial Statements  
Nine-month period ended  
**April 30, 2022**



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED ON APRIL 30, 2022**

Statement concerning the condensed consolidated interim financial statements

Management has prepared the accompanying interim condensed consolidated financial statements of Devonian Health Group inc. which include the interim consolidated statement of financial position as at April 30, 2022, and the interim consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the nine-month period ended April 30, 2022. No auditing firm has reviewed or audited these condensed consolidated interim financial statements.

# Devonian Health Group Inc.

## Interim Consolidated Condensed Statements of Financial Position

As at

Unaudited

	April 30, 2022 \$	July 31, 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,488,337	344,795
Accounts receivable (note 5)	529,439	318,803
Tax credits receivable (note 6)	-	16,251
Inventories (note 7)	88,865	28,221
Prepaid expenses	59,350	56,155
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	10,165,991	664,225
<b>Property, plant, equipment and right-of-use assets</b> (note 8)	2,936,563	3,066,547
<b>Intangible assets</b> (note 9)	5,674,799	6,233,889
<b>Goodwill</b> (notes 3 and 9)	4,643,084	4,643,084
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	23,420,437	14,607,745
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable (note 10)	1,115,953	1,809,418
Current portion of lease liability	4,598	4,598
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	1,120,551	1,814,016
<b>Long-term debt</b> (note 11)	3,574,845	3,570,081
<b>Convertible debentures</b> (note 12)	1,662,441	1,687,532
<b>Lease liability</b>	8,895	12,631
	<hr/>	<hr/>
	6,366,732	7,084,260
<b>Shareholders' Equity</b>		
Share capital (note 13)	27,572,182	20,208,600
Stock options (note 14)	1,262,669	765,205
Warrants (note 15)	4,811,534	540,421
Contributed surplus	3,452,890	3,387,704
Deficit	(20,045,570)	(17,378,445)
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	17,053,705	7,732,893
	<hr/>	<hr/>
	23,420,437	14,607,745
<b>Statutes of incorporation and nature of activities</b> (note 1)		
<b>Material uncertainty related to going concern</b> (note 2)		

### Approved by the Board of Directors

(s) André Boulet, President and Chief Executive Officer

(s) Érick Shields, Director

The accompanying notes are an integral part of these interim consolidated condensed financial statements.

# Devonian Health Group Inc.

## Interim Consolidated Condensed Statements of Net Loss and Comprehensive Loss

### For the three-month and nine-month periods ended

Unaudited

	For the three-month period, ended		For the nine-month period ended	
	April 30, 2022 \$	April 30, 2021 \$	April 30, 2022 \$	April 30, 2021 \$
<b>Distribution revenues</b>	729,139	255,109	1,693,066	1,139,995
<b>Operating expenses</b>				
Cost of sales	448,305	360,675	1,405,275	1,301,813
Research and development expenses	248,019	118,054	510,882	524,361
Administrative expenses	499,650	358,272	2,047,003	1,184,101
Financial expenses (note 18)	228,375	224,979	397,031	633,489
	1,424,349	1,061,980	4,360,191	3,643,764
Loss before other items and income taxes	(695,210)	(806,871)	(2,667,125)	(2,503,769)
<b>Other items</b>				
Canada Emergency Business Loan Grant	-	-	-	45,816
Loss before income taxes	(695,210)	(806,871)	(2,667,125)	(2,457,983)
<b>Income taxes</b>				
Recoverable	-	-	-	-
Net loss and comprehensive loss	(695,210)	(806,871)	(2,667,125)	(2,457,953)
<b>Net loss per share</b> (note 19)				
Basic	(0.006)	(0.01)	(0.02)	(0.03)
Diluted	(0.006)	(0.01)	(0.02)	(0.03)

### Additional information to the interim condensed consolidated statements of net loss and comprehensive loss

(notes 2, 4 and 18)

The accompanying notes are an integral part of these interim consolidated condensed financial statements.

# Devonian Health Group Inc.

## Interim Consolidated Condensed Statements of Changes in Equity

For the periods ended April 30, 2022 and July 31, 2021 and 2020

Unaudited

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital \$	Stock options \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance</b> , as at July 31, 2020	82,522,541	6,228,355	12,689,699	101,440,595	19,021,908	697,085	2,139,324	1,557,978	(14,032,065)	9,384,230
Issuance of shares (note 13)	10,738,147	-	-	10,738,147	1,158,986	-	-	-	-	1,158,968
Share issuance costs: In cash	-	-	-	-	(35,671)	-	-	-	-	(35,671)
Stock-based compensation (note 14)	-	861,645	-	861,645	-	82,720	-	-	-	82,720
Issuance of warrants (note 15)	-	-	5,654,315	5,654,315	-	-	229,618	-	-	229,618
Warrants exercised (note 15)	200,000	-	(200,000)	-	63,500	-	(13,395)	-	-	50,000
Warrants expired (note 15)	-	-	8,403,361	8,403,361	-	-	(1,815,126)	1,815,126	-	-
Options expired (note 14)	-	(150,000)	-	(150,000)	-	(14,600)	-	14,600	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	-	-	-	(3,346,380)	(3,346,380)
	10,938,147	711,645	(2,949,046)	8,600,746	1,186,692	68,120	(1,598,903)	1,829,726	(3,346,380)	(1,860,745)
<b>Balance</b> , as at July 31, 2021	93,460,688	6,940,000	9,740,653	110,141,341	20,208,600	765,205	540,421	3,387,784	(17,378,445)	7,523,485
Issuance of shares (note 13)	37,677,947	-	-	37,677,947	7,535,147	-	-	-	-	7,535,147
Share issuance costs: In cash	-	-	-	-	(171,565)	-	-	-	-	(171,565)
Stock-based compensation (note 14)	-	2,220,000	-	2,220,000	-	532,687	-	-	-	532,687
Options cancelled (note 14)	-	(375,000)	-	(375,000)	-	(35,523)	-	35,223	-	-
Issuance of warrants (note 15)	-	-	35,666,394	35,666,394	-	-	4,347,958	-	-	4,347,958
Warrants expired (note 15)	-	-	(943,600)	(943,600)	-	-	(29,963)	29,963	-	-
Warrants exercised (note 15)	-	-	(700,000)	(700,000)	-	-	(46,882)	-	-	(46,882)
	-	-	-	-	-	-	-	-	(2,667,125)	(2,667,125)
	37,647,947	1,845,000	34,022,794	73,545,741	7,363,582	497,464	4,271,113	65,186	(2,667,125)	9,530,220
<b>Balance</b> , as at April 30, 2022	131,138,635	8,785,000	43,763,447	183,687,082	27,572,182	1,262,669	4,811,534	3,452,890	(20,045,570)	17,053,705

The accompanying notes are an integral part of these interim consolidated condensed financial statements.

# Devonian Health Group Inc.

## Interim Consolidated Condensed Statements of Cash Flows

### For the nine-month periods ended

Unaudited

	April 30, 2022 \$	April 30, 2021 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Net loss	(2,667,125)	(2,457,953)
Items not affecting cash:		
Amortization of property, plant, equipment, and right-of-use asset	200,321	197,783
Amortization of intangible assets	559,090	568,034
Amortization of discount on convertible debentures	261,986	176,419
Amortization of discount on emergency business account loan	4,764	1,476
Amortization of discount on lease liability	-	550
Unrealized loss (gain) on derivatives	(287,077)	48,770
Interest on convertible debentures	200,163	180,626
Stock-based compensation	532,687	76,918
	<u>(1,195,191)</u>	<u>(1,207,377)</u>
Net change in non-cash working capital items (note 23)	<u>(525,376)</u>	<u>(361,371)</u>
	<u>(1,720,567)</u>	<u>(1,568,748)</u>
<b>Investing activities</b>		
Acquisition of assets and right-of-use-assets	(70,337)	(23,312)
<b>Financing activities</b>		
Lease liability	(3,736)	(1,410)
Government loan	-	59,491
Issuance of shares and warrants	10,763,182	1,176,329
Exercise of warrants	175,000	-
	<u>10,934,446</u>	<u>1,234,410</u>
<b>Increase (decrease) in cash</b>	9,143,542	(357,650)
<b>Cash – Beginning of year</b>	<u>344,795</u>	<u>913,017</u>
<b>Cash and cash equivalents– End of period</b>	<u>9,488,337</u>	<u>555,367</u>

For the period ended April 30, 2022, cash flow from operating activities includes interest paid of \$ 223,433 (April 30, 2021 - \$ 221,202) and does not include any tax paid (April 30, 2021, none).

The accompanying notes are an integral part of these interim consolidated condensed financial statements

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

April 30, 2022

Unaudited

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### 1 Statutes of incorporation and nature of activities

The Company was incorporated under the Business Corporations Act (Québec) on March 27, 2015. On May 12, 2017, the Company was continued under the Canada Business Corporations Act (CBCA).

Its main activity is the development of botanical drugs. It is also involved in the development of value-added products for dermo-cosmetics and the distribution of pharmaceutical products through its subsidiary. It acquires drug and health product licenses. The Company has established a research effort focused towards the anticipation of new solutions in the medical sector as well as in the cosmetic sector. The Company's head office is located at 360, Rue des Entrepreneurs, Montmagny, Québec.

### 2 Material uncertainty related to going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that assets will be realized, and liabilities discharged in the normal course of business for the foreseeable future. Accordingly, these consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or on the discharge or classification of liabilities, should the Company be unable to continue its business in the normal course. It is committed to the development of botanical drugs and will have to obtain necessary funding to continue its operations until the commercialization phase of its products. The Company has incurred losses since its inception and anticipates that losses will continue for 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 also on its ability to source from its pharmaceutical suppliers, its ability to distribute its products while generating positive cash flows and to obtain, in a timely matter, further financing to complete research and development projects, and to market its developed products, as to which no assurance can be given.

Further financing will continue to be required since it is impossible to estimate when the Company will achieve profitability. Management continues to negotiate further financing and different agreements that could create positive cash flows. The success of these negotiations is contingent on many factors outside the Company's control and its ability to successfully complete such financings and agreements is tinged with material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

### 3 Significant accounting policies

#### Declaration of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. As a result, certain information and notes normally included in annual financial statements prepared in accordance with IFRS have been omitted or summarized.

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## Notes to Interim Condensed Consolidated Financial Statements

**April 30, 2022**

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These interim financial statements should be read in conjunction with the annual consolidated financial statements for the years ended July 31, 2021, and July 31, 2020.

These condensed consolidated interim financial statements were adopted by the board of directors on June 21, 2022.

### **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis.

### **Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **Consolidation**

These consolidated financial statements include the accounts of the Company and the accounts of its subsidiary, Altius Healthcare Inc., since February 1, 2018. Intercompany balances, income, expenses and cash flows are fully eliminated upon consolidation. When necessary, adjustments are made to the subsidiary's financial statements to align its accounting policies with those of the Company.

### **Distribution revenue recognition**

Revenues from the distribution of pharmaceutical and cosmeceutical products are recognized when the terms of a contract with a client are fulfilled, i.e. when:

- the control of the product has been transferred to the client; and
- the product is received by the client or the transfer to the client of the ownership title occurs upon shipment.

After delivery, the client assumes obsolescence and loss risks with respect to such goods. Revenues are recognized according to the prices set in the contacts, less estimated sales rebates or returns.

### **Significant accounting policies**

The interim condensed consolidated financial statements were based on the significant accounting policies described in the Company's consolidated financial statements for the year ended July 31, 2021.

### **Use of estimates and judgments**

The preparation of condensed consolidated interim financial statements requires management to use judgment, make estimates and make assumptions that affect the application of accounting policies and the carrying value of assets, liabilities, income and expenses. Actual results could differ from estimated results. Significant accounting judgments and estimates applied by the Company are presented in the consolidated financial



# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

April 30, 2022

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statements for the year ended July 31, 2021 and remain unchanged. Estimates and underlying assumptions are reviewed regularly. Any revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected by such revisions.

### 4 Additional information to the interim condensed consolidated statements of net loss and comprehensive loss

The interim condensed consolidated statements of net income and comprehensive income include the following items:

	April 30, 2022 \$	April 30, 2021 \$
Research and development – Amortization of property, plant and equipment and right-of-use asset	200,321	197,783
Cost of sales – Amortization of intangible assets	559,090	568,034
Administrative expenses – Stock-based compensation	532,687	76,918
Research and development expenses – Salaries and employer's contributions	89,339	47,342

### 5 Accounts receivable

	April 30, 2022 \$	July 31, 2021 \$
Trade	443,314	175,874
Sales taxes	86,125	42,929
	<u>529,439</u>	<u>218,803</u>

### 6 Tax credits receivable

	April 30, 2 2022 \$	July 31, 2021 \$
Balance, beginning of year	16,251	164,773
Tax credits for research and development accounted for	-	16,251
Tax credits for research and development received	16,251	(164,773)
Balance, end of year	<u>-</u>	<u>16,251</u>

Tax credits receivable consist of tax credits for research and development receivable from the governments of Quebec and Canada, which relates to eligible research and development expenses under applicable tax

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## Notes to Interim Condensed Consolidated Financial Statements

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legislation. The amounts in the receivable are subject to a tax audit by the governments and the final amounts received may be different from those recorded.

### 7 Inventories

	April 30, 2022 \$	July 31, 2021 \$
Raw materials	52,683	-
Finished goods	36,182	28,221
	<u>88,865</u>	<u>28,221</u>

### 8 Property, plant and equipment and right-of-use assets

								April 30, 2022
	Building \$	Land \$	Leasehold improvements \$	Production and laboratory equipment \$	Computer equipment \$	Furniture and equipment \$	Right- of-use asset \$	Total \$
<b>Cost</b>								
Balance, beginning of year	2,537,676	562,324	2,100	1,543,990	20,568	62,100	32,523	4,761,281
Acquisition	-	-	-	63,409	3,428	3,500	-	70,337
Balance, April 30, 2022	<u>2,537,676</u>	<u>562,324</u>	<u>2,100</u>	<u>1,607,399</u>	<u>23,996</u>	<u>62,100</u>	<u>32,523</u>	<u>4,831,618</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	641,830	-	2,100	964,071	20,568	62,100	4,065	1,694,734
Variation								
Amortization	76,961	-	-	117,261	-	-	6,099	200,321
Balance, April 30, 2022	<u>718,791</u>	<u>-</u>	<u>2,100</u>	<u>1,081,332</u>	<u>20,568</u>	<u>62,100</u>	<u>10,164</u>	<u>1,895,055</u>
Carrying value, April 30 2022	<u>1,818,885</u>	<u>562,324</u>	<u>-</u>	<u>526,067</u>	<u>3,428</u>	<u>3,500</u>	<u>22,359</u>	<u>2,936,563</u>

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

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### 9 Intangible assets and goodwill

					April 30, 2022
	Intellectual property \$	Patents \$	Website \$	Licenses, trademark and distribution rights \$	Total \$
<b>Cost</b>					
Balance, beginning of year	4,888,000	136,693	49,833	3,812,822	8,887,348
Balance, end of period	4,888,000	136,693	49,833	3,812,822	8,887,348
<b>Accumulated amortization</b>					
Balance, beginning of year	-	90,906	34,865	2,527,688	2,653,459
Amortization	-	8,112	9,345	541,633	559,090
Balance, end of period	-	99,018	44,210	3,069,321	3,212,549
Carrying value, end of period	4,888,000	37,675	5,623	743,501	5,674,799

#### Licenses, trademarks, and distribution rights

The licenses, trademarks and distribution rights valued in the consolidated statements of financial position are Pantoprazole, Cléo-35 and PurGenesis.

#### Impairment test

Goodwill arising from the business combination is allocated to groups of cash-generating units (CGU) likely to benefit from the business combination. For the goodwill, there is one CGU and the impairment assessment was performed by comparing the Company's net assets to the market capitalization as at July 31, 2021, which is considered a Level 1 measurement.

### 10 Accounts payable

	April 30, 2022 \$	July 31, 2021 \$
Suppliers	395,072	555,498
Accrued expenses	707,015	1,238,210
Salaries, payroll deductions and contributions	13,866	15,710
	<u>1,115,953</u>	<u>1,809,418</u>

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### 11 Long-term debt

	April 30, 2022 \$	July 31, 2021 \$
Loan, secured by the universality of movable and immovable property, tangible and intangible, present and future of the Company, for a carrying value of \$ 8,589,003, interest payable monthly at the Toronto Dominion Bank's prime rate plus 6% (9.20 %; 2021 – 8.45%), principal repayable at maturity in January 2024*	3,500,000	3,500,000
Canada Emergency Business Account Loan	74,845	70,081
	<u>3,574,845</u>	<u>3,570,081</u>

\* In the event of a change of control by acquisition or dilution at 50%, the principal and the interest payable until maturity of the term are payable within 30 days of the date of the change of control.

### 12 Convertible debentures

	April 30, 2022		
	Host \$	Derivative \$	Total \$
Balance as of July 31, 2021	1,325,949	361,583	1,687,532
Accretion	261,986	-	261,986
Change in fair value of derivative		(287,077)	(287,077)
Balance of January 31, 2022	<u>1,587,935</u>	<u>74,506</u>	<u>1,662,441</u>
	July 31, 2021		
	Host \$	Derivative \$	Total \$
Balance as of July 31, 2020	1,083,668	68,407	1,152,075
Accretion	242,281	-	242,281
Change in fair value of derivative		293,176	293,176
Balance of July 31, 2021	<u>1,325,949</u>	<u>361,583</u>	<u>1,687,532</u>

The principal amount of the debentures (\$ 1,697,000 as at April 30, 2022 and July 31, 2021) will be convertible into units of the Company at a price of \$ 0.75 per unit and mature in July and August 2022. Each unit consists of one subordinate voting share in the capital of the Company and one subordinate voting share purchase warrant. Each warrant will entitle the holder to acquire one subordinate voting share in the capital of the Company at a price of \$ 0.95 until 48 months after the closing date.

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Interest on the convertible debentures is payable in units semi-annually based on an annual rate of 10%. Each unit will comprise one common share and one share purchase warrant having a four-year contractual life. The number of units to be issued will be calculated as follows according to the situation:

- If the subordinate voting shares comprised in the units are not subject to resale restrictions by a recognized stock exchange immediately following the issuance, the five-day average of the VWAP (volume-weighted average share price) immediately prior to the interest payment date will be applicable and will be used to settle the 10% interest. The exercise price of the warrants included in the units will be equal to the one obtained for the price of the shares used to settle the interest plus 30%.
- If the subordinate voting shares are subject to resale restrictions after they are issued, 90% of the five-day average of the VWAP immediately prior to the interest payment date will be applicable and the exercise price of the warrants will be equal to the one obtained for the price of the shares based on the conversion rate of interest plus 30%.

In its sole discretion, the Company may prepay any portion of the principal amount of the debentures with accrued and unpaid interest.

Convertible debentures are compound financial instruments within the meaning of IAS 32 and have a liability component and an embedded derivative component. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each statement of financial position date. Subsequent changes in fair value are recognized in the consolidated statement of net loss and comprehensive loss. The change in fair value is included in finance costs (note 18).

The fair market value of the debentures was established according to the discounted cash flow method, and using the following average assumptions:

	April 30, 2022	July 31, 2021
Expected life	0.21 to .33 years	1 to 1.75 years
Risk-free interest rate	0.74%	0.43%
Expected volatility	60%	85%

### 13 Share capital

#### Description of authorized share capital

An unlimited number of subordinate voting shares, exchangeable subordinate voting shares and multiple voting shares, participating, without par value, non-cumulative dividend.

The subordinate voting shares, exchangeable subordinate voting shares and multiple voting shares are handled as if they were of one and the same category.

The holders of subordinate voting shares and exchangeable subordinate voting shares are entitled to receive notice, and to attend and vote at all meetings of the shareholders, except those at which holders of a specific

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class are entitled to vote separately as a class under the CBCA. Each subordinate voting share and each exchangeable subordinate voting share confers the right to one vote per share.

The holders of multiple voting shares are entitled to receive notice and to attend and vote, at all meetings of the shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the CBCA. Each multiple voting share confers the right to six votes per share. Each multiple voting share may, at any time, be exchanged for one subordinate voting share. In May 2027, ten years after the Qualifying Transaction, the authorized holder, without any further action, shall automatically be deemed to have exercised their right to exchange all of the multiple voting shares held by such holder, into fully paid and non-assessable subordinate voting shares of the Company, on a share for share basis.

	April 30, 2022 \$	July 31, 2021 \$
<b>Share capital issued includes:</b>		
131,138,635 shares (July 31, 2021 – 93,460,688)	27,572,182	20,208,600

The 131,138,635 shares outstanding as of April 30, 2022, are distributed in full in subordinate voting shares, with the 19,966,523 multiple voting shares having been converted into subordinate voting shares on April 19, 2022. (July 31, 2021 – 93,460,688 outstanding shares are classified into 73,494,165 subordinate voting shares and 19,966,523 multiple voting shares).

### Issuance

#### a) Interest on convertible debentures

During the nine-month period, ended April 30, 2022, the Company issued a total of 353,642 units, at a unit price ranging from \$0.45 to \$0.50 in exchange for \$169,700 in interest owed 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 ranging from \$0.59 to \$0.65.

The fair value of the 353,642 shares and 353,642 warrants was estimated at \$169,700 and \$97,917 respectively, based on the following weighted average assumptions:

Risk-free interest rate	1.2%
Average expected duration	3 years
Expected volatility	95%
Share price	\$0.48
Expected dividend	Nil

#### b) Private financing

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

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unit is made up of one subordinate voting share and one share purchase warrant. Each warrant will confer on its holder the right to acquire one subordinate voting share at a price of \$ 0.50 per share, until September 2023.

Related costs of \$ 49,506 for this share issue were recorded.

The fair value of the 2,415,090 shares issued and the 2,415,090 warrants issued was estimated at \$ 793,711 and \$ 268,929 respectively, according to the Black & Scholes valuation model and using the following assumptions:

Risk-free interest rate	0.43%
Average expected life	1.5 year
Expected volatility	85%
Share price	\$0.44
Expected dividend	Nil

On November 12, 2021, and November 26, 2021, the Company completed a private financing, without the intermediary of a broker, through the issuance of a total of 32,897,662 units at a price of \$0.30 per unit, for gross proceeds of \$9,869,299.

Each unit consists 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 \$0.40 per share, until November 2023.

Related costs of \$119,251 for this share issue were recorded.

The fair value of the 32,897,662 shares issued and the 32,897,662 warrants issued was estimated at \$5,888,187 and \$3,981,112 respectively, according to the Black & Scholes valuation model and using the following assumptions:

Risk-free interest rate	1 %
Average expected life	2 years
Expected volatility	85%
Share price	\$0.40
Expected dividend	Nil

### c) Debt settlement

On March 10, 2022, a total of 1,311,553 subordinate voting shares were issued at a price of \$0.352, for a total consideration of \$461,667. These shares were issued in settlement of the total amount of \$461,667 due to a consultant of the Company's wholly owned subsidiary, Altius Healthcare Inc., which was assumed by the Company.

# Devonian Health Group Inc.

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### d) Exercice of warrants

On April 29, 2022, The Company issued 700,000 subordinate voting shares, at e unit price of 0.25 \$ per unit, for a gross proceed of \$175,000, following the exercise of 700,000 warrants. The value of \$ 46,882 which had been attributed to these warrants was reclassified to share capital.

## 14 Stock option plan

Under the stock option plan put in place in May 2017, the members of the Board of Directors can attribute stock options allowing the directors, executives, employees, and consultants of the Company to acquire shares of the Company. The maximum number of options that can be granted according to the stock option plan is equal to a maximum of 10% of the outstanding subordinate voting shares.

The options to be granted according to the stock option plan will not exceed a duration of ten years and will be granted at the price and conditions that the directors will consider necessary to reach the goal of the stock option plan, and according to the applicable regulations. The exercise price of the option cannot be lower than the market price.

During the period ended April 30, 2022, the Company granted 1,695,000 stock options and 525,000 stock options respectively to consultants and directors of the Company and to employees of the Society. These options can be exercised at a price ranging from \$0.40 to \$0.50 for a period of ten years from the grant date. These options are exercisable on the grant date. The fair value of these options was estimated at \$532,585 based on the Black-Scholes valuation model and using the following weighted average assumptions:

Risk-free interest rate	1%
Average expected life	3 years
Expected volatility	95%
Share price	\$0.45
Expected dividend	Nil



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The Company recorded an expense of \$532,687 during the six-month period ended January 31, 2022 (January 31, 2021 – \$64,515). This charge includes an amount of \$102 (2021– \$11,606) attributable to options granted from 2018 to 2019.

The determination of the volatility assumption of stock options is based on a historical volatility analysis over a period equal to the expected life of the options.

The following table summarizes the situation of the Company's stock option plan and the changes incurred during the nine-month period ended April 30, 2022, and the year ended July 31, 2021:

	<b>April 30, 2022</b>		<b>July 31, 2021</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding, beginning of year	6,940,000	0.33	6,228,355	0.37
Options expired				
Options cancelled	(375,000)	0.27	(150,000)	0.80
Options granted to directors and consultants	1,695,000	0.45	60,000	0.20
Options granted to members of management and employees	525,000	0.40	801,645	0.12
Outstanding, end of year	<u>8,785,000</u>	<u>0.36</u>	<u>6,940,000</u>	<u>0.33</u>
Options exercisable, end of year	<u>8,785,000</u>	<u>0.36</u>	<u>6,935,000</u>	<u>0.33</u>
Weighted average fair value of the options granted during the year		<u>0.24</u>		<u>0.07</u>

The following table summarizes information about the options outstanding and exercisable as at April 30, 2022:

<b>Options outstanding and exercisable</b>		
<b>Exercise price</b>	<b>Number of options outstanding</b>	<b>Weighted average remaining contractual life</b>
\$ 0.12	801,645	8.66 years
\$ 0.15	2,658,355	8.15 years
\$ 0.20	60,000	8.89 years
\$ 0.21	625,000	7.98 years
\$ 0.40	1,345,000	9.55 years
\$ 0.44	150,000	9.40 years
\$ 0.50	725,000	9.72 years
\$ 0.60	2,220,000	4.32 years
\$ 1.20	200,000	0.87 years

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### 15 Warrants

The following table summarizes information about the Company's warrants and the changes during the nine-month period ended April 30, 2022, and the year ended July 31, 2021:

	April 30, 2022		July 31, 2021	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of year	9,740,653	0.23	12,689,699	0.89
Issued	35,666,394	0.41	5,654,315	0.16
Expired	(943,600)	0.53	(8,403,361)	1.19
Exercised	(700,000)	-	(200,000)	0.25
Outstanding, end of year	43,763,447	0.37	9,740,653	0.23
Warrants exercisable, end of year	43,763,447	0.37	9,740,653	0.23

The following table summarizes information about warrants outstanding as at April 30, 2022:

Exercise price \$	Warrants outstanding	
	Number of warrants outstanding	Average remaining contractual life
0.15	5,050,000	0.66 year
0.194	201,982	2.75 years
0.218	179,137	1.75 years
0.225	291,393	1.75 years
0.237	272,467	2.25 years
0.25	1,793,122	0.01 year
0.26	252,055	2.76 years
0.263	146,561	2.00 years
0.30	150,278	2.88 years
0.338	190,727	1.75 years
0.38	173,831	0.98 year
0.40	32,993,162	1.57 year
0.50	2,415,090	1.37 year
0.59	78,078	3.39 years
0.61	73,540	3.85 years
0.64	101,202	3.51 years
0.65	100,822	3.76 years

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### 16 Capital management

The Company includes all components of equity in its capital definition: share capital, stock options, warrants, contributed surplus and deficit. In terms of capital management, the Company's objectives are to preserve its ability to continue as a going concern to ensure its sustainability by obtaining the necessary funding to realize its development activities and to provide in the future an adequate return to its shareholders. The Company finances its operations by issuing shares and debentures as well as operating income.

The Company's objectives and policies in terms of capital management have not changed since July 31, 2021. The Company has committed to the private lender not to redeem preferred or common shares without its prior written consent.

### 17 Commitments

The Company has committed to pay a total amount of \$80,000 over a four-year period to a research project entitled "*The Next Generation Agriculture: Botanical extracts and essential oils as the new antimicrobials against microbial contaminants and diseases of Cannabis*". As at April 30, 2022, the balance of this commitment was \$10,000.

### 18 Financial expenses

Financial expenses are as follows:

	April 30, 2022	April 30, 2021
	\$	\$
Interest expenses and bank charges	3,398	5,184
Interest on long-term debt	223,433	221,202
Interest on lease liability	674	550
Interest on guaranteed deposit certificates	(10,310)	-
Amortization of discount on convertible debentures	261,986	176,419
Amortization of discount on Canada Emergency Business Account Loan	4,764	738
Embedded derivative convertible debentures – Change in fair value	(287,077)	48,770
Interest expense on convertible debentures	200,163	180,626
	<u>397,031</u>	<u>633,489</u>

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### 19 Net loss per share

The following table provides the weighted average number of shares used to calculate the basic loss per share:

	April 30, 2022 \$	April 30, 2021 \$
Weighted average number of shares used to calculate the basic loss per share	114,954,391	87,241,528
Items excluded from the calculation of diluted loss per share:		
Stock options	8,785,000	7,030,000
Warrants	43,763,447	9,940,653
Convertible debenture	4,525,334	4,525,334

For the nine-month periods ended April 30, 2022, and April 30, 2021, the impacts of the warrants, stock options and the convertible debentures were excluded from the calculation of diluted loss per share as they would have an anti-dilutive effect.

### 20 Related party transaction

The principal executives are the President of the Company, the President of the subsidiary, the interim Chief Financial Officer, and the Directors. During the nine-month period ended April 30, 2022, the Company has paid them a total remuneration of \$810,699 (April 30, 2021 – \$459,194), which has been recognized in administrative expenses and of which the main components are:

	April 30, 2022 \$	April 30, 2021 \$
Salaries and benefits	381,639	233,158
Management fees	150,000	150,000
Stock-based compensation	279,060	76,036