



## **Devonian Health Group Inc.**

Interim Consolidated Condensed Financial Statements  
Three-month period ended  
**October 31, 2022**



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE  
THREE-MONTH PERIOD ENDED ON OCTOBER 31, 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 October 31, 2022, and the interim consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the three-month period ended October 31, 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

	October 31, 2022 \$	July 31, 2022 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	6,261,484	2,805,191
Guaranteed investment certificate	-	5,000,000
Accounts receivable (note 5)	321,939	314,738
Tax credits receivable (note 6)	22,460	22,460
Inventories (note 7)	160,116	154,622
Prepaid expenses	110,791	120,218
	<u>6,876,790</u>	<u>8,417,229</u>
<b>Property, plant, equipment and right-of-use assets</b> (note 8)	2,815,624	2,884,656
<b>Intangible assets</b> (note 9)	5,603,293	5,641,102
<b>Goodwill</b> (notes 3 and 9)	4,643,084	4,643,084
	<u>19,938,791</u>	<u>21,586,071</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable (note 10)	962,832	1,035,177
Current portion of lease liability	6,106	6,030
	<u>968,938</u>	<u>1,041,207</u>
<b>Long-term debt</b> (note 11)	3,578,128	3,576,423
<b>Convertible debentures</b> (note 12)	-	680,165
<b>Lease liability</b>	14,192	15,747
	<u>4,561,258</u>	<u>5,313,542</u>
<b>Shareholders' Equity</b>		
Share capital (note 13)	27,627,678	27,572,182
Stock options (note 14)	1,329,083	1,113,033
Warrants (note 15)	4,767,068	4,737,154
Contributed surplus	3,676,907	3,676,907
Deficit	(22,023,203)	(20,826,747)
	<u>15,377,533</u>	<u>16,272,529</u>
	<u>19,938,791</u>	<u>21,586,071</u>
<b>Material uncertainty related to going concern</b> (note 2)		

### Approved by the Board of Directors

(s) Pierre Montanaro, President and Chief Executive Officer

(s) Martin Moreau, 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 periods ended

Unaudited

	October 31, 2022 \$	October 31 2021 \$
<b>Distribution revenues</b>	410,353	440,423
<b>Operating expenses</b>		
Cost of sales	263,618	448,045
Research and development expenses	339,070	143,002
Administrative expenses	907,317	500,364
Financial expenses (note 18)	96,804	197,239
	<u>1,606,809</u>	<u>1,288,650</u>
<b>Loss before income taxes</b>	<u>(1,196,456.)</u>	<u>(848,227)</u>
<b>Net loss and comprehensive loss</b>	<u>(1,196,456)</u>	<u>(848,227)</u>
<b>Net loss per share</b> (note 19)		
Basic	(0.009)	(0.009)
Diluted	(0.009)	(0.009)

**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 October 31, 2022 and July 31, 2021 and 2020

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital \$	Stock options \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance as at July 31, 2021	93,460,688	6,940,000	9,740,653	110,141,341	20,208,600	765,205	540,421	3,387,704	(17,378,445)	7,523,485
Issuance of shares (note 13)	36,977,947	-	-	36,977,947	7,313,265	-	-	-	-	7,313,265
Share issuance costs: In cash	-	-	-	-	(171,565)	-	-	-	-	(171,565)
Stock-based compensation (note 14)	-	2,220,000	-	2,220,000	-	532,687	-	-	-	532,687
Issuance of warrants (note 15)	-	-	35,666,394	35,666,394	-	-	4,347,959	-	-	4,347,959
Warrants exercised (note 15)	700,000	-	(700,000)	-	221,882	-	(46,882)	-	-	175,000
Options expired (note 14)	-	(1,085,000)	-	(1,085,000)	-	(184,859)	-	104,344	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	-	-	-	(3,448,302)	(3,448,302)
	<u>37,677,947</u>	<u>1,135,000</u>	<u>32,929,672</u>	<u>71,742,619</u>	<u>7,363,582</u>	<u>347,828</u>	<u>4,196,733</u>	<u>289,203</u>	<u>(3,448,302)</u>	<u>8,749,044</u>
Balance as at July 31, 2022	131,138,635	8,075,000	42,670,325	181,883,960	27,572,182	1,113,033	4,737,154	3,676,907	(20,826,747)	16,272,529
Issuance of shares (note 13)	127,839	-	-	127,839	55,496	-	-	-	-	55,496
Stock-based compensation (note 14)	-	975,000	-	975,000	-	216,050	-	-	-	216,050
Issuance of warrants (note 15)	-	-	127,839	127,839	-	-	29,914	-	-	29,914
Net loss and comprehensive loss for the year	-	-	-	-	-	-	-	-	(1,196,456)	(1,196,456)
	<u>127,839</u>	<u>975,000</u>	<u>127,839</u>	<u>1,230,678</u>	<u>55,496</u>	<u>216,050</u>	<u>29,914</u>	<u>-</u>	<u>(1,196,456)</u>	<u>(894,996)</u>
<b>Balance, as at October 31, 2022</b>	<b>131,266,474</b>	<b>9,050,000</b>	<b>42,798,164</b>	<b>183,114,638</b>	<b>27,627,678</b>	<b>1,329,083</b>	<b>4,768,068</b>	<b>3,676,907</b>	<b>(22,023,203)</b>	<b>15,377,533</b>

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 three-month periods ended

Unaudited

	October 31, 2022 \$	October 31, 2021 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Net loss	(1,196,456)	(848,227)
Items not affecting cash:		
Amortization of property, plant, equipment, and right-of-use asset	69,032	66,814
Amortization of intangible assets	37,809	189,463
Amortization of discount on convertible debentures, net of settlement of original issue discount	(352,779)	82,665
Amortization of discount on emergency business account loan	1,706	1,570
Unrealized loss (gain) on derivatives	-	(30,132)
Interest on lease liability	266	-
Interest on convertible debentures	493	67,454
Stock-based compensation	216,050	36,402
	<u>(1,223,879)</u>	<u>(433,991)</u>
Net change in non-cash working capital items (note 23)	<u>(20,696)</u>	<u>(74,064)</u>
	<u>(1,244,575)</u>	<u>(508,055)</u>
<b>Investing activities</b>		
Sale of guaranteed investment certificates	5,000,000	-
<b>Financing activities</b>		
Lease liability	(1,745)	(1,143)
Convertible debentures	(297,387)	-
Issuance of shares and warrants	-	1,013,134
	<u>(299,132)</u>	<u>1,011,991</u>
<b>Increase (decrease) in cash</b>	3,456,293	503,936
<b>Cash – Beginning of year</b>	<u>2,805,191</u>	<u>344,795</u>
<b>Cash – End of year</b>	<u>6,261,484</u>	<u>848,731</u>

For the period ended October 31, 2022, cash flow from operating activities includes interest paid of \$ 98,518 (2021 - \$ 74,545), and \$ 399,613 for the discount portion on convertible debentures, and does not include any tax paid (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

October 31, 2022

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Unaudited

### 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. The Company has established a research effort focused towards 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.

Management continues to negotiate further financing and different agreements that could create positive cash flows. (Note 21). 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. These interim financial statements should be read in conjunction with the annual consolidated financial statements for the years ended July 31, 2022, and July 31, 2021.

# **Devonian Health Group Inc.**

## **Notes to Interim Condensed Consolidated Financial Statements**

**October 31, 2022**

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These condensed consolidated interim financial statements were adopted by the board of directors on December 22, 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, 2022.

### **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 statements for the year ended July 31, 2022 and remain unchanged. Estimates and underlying assumptions are



# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

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Unaudited

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:

	October 31, 2022 \$	October 31, 2021 \$
Research and development – Amortization of property, plant and equipment and right-of-use asset	69,032	66,814
Cost of sales – Amortization of intangible assets	37,809	189,463
Administrative expenses – Salaries and employer’s contributions	180,492	106,641
Administrative expenses – Stock-based compensation	216,050	36,402
Research and development expenses – Salaries and employer’s contributions	89,282	15,008

### 5 Accounts receivable

	October 31, 2022 \$	July 31, 2022 \$
Trade	219,779	219,952
Sales taxes	102,160	65,444
Interest receivable	-	29,342
	<u>321,939</u>	<u>314,738</u>

### 6 Tax credits receivable

	October 31, 2022 \$	July 31, 2022 \$
Balance, beginning of year	22,460	16,251
Tax credits for research and development accounted for	-	22,460
Tax credits for research and development received	-	(16,251)
	<u>22,460</u>	<u>22,460</u>

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

	October 31, 2022 \$	July 31, 2022 \$
Raw materials	93,394	75,264
Finished goods	66,722	79,358
	<u>160,116</u>	<u>154,622</u>

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

	October 31, 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	1,607,399	27,238	65,600	39,938	4,842,365
Acquisition	-	-	-	-	-	-	-	-
Balance, October 31, 2022	<u>2,537,676</u>	<u>562,324</u>	<u>2,100</u>	<u>1,607,399</u>	<u>27,238</u>	<u>65,600</u>	<u>39,938</u>	<u>4,842,365</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	744,444	-	2,100	1,122,004	2,695	62,450	5,016	1,957,709
Amortization	25,654	-	2,100	40,144	563	175	2,496	69,032
Balance, October 31, 2022	<u>770,098</u>	<u>-</u>	<u>2,100</u>	<u>1,162,148</u>	<u>22,258</u>	<u>62,625</u>	<u>7,512</u>	<u>2,026,741</u>
Carrying value, October 31, 2022	<u>1,767,578</u>	<u>562,324</u>	<u>-</u>	<u>445,251</u>	<u>5,070</u>	<u>2,975</u>	<u>32,426</u>	<u>2,815,624</u>

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

October 31, 2022

Unaudited

### 9 Intangible assets and goodwill

					October 31, 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, October 31, 2022	4,888,000	136,693	49,833	3,812,822	8,887,348
<b>Accumulated amortization</b>					
Balance, beginning of year	-	100,176	47,325	3,098,745	3,246,246
Amortization	-	5,158	2,508	30,143	37,809
Balance, October 31, 2022	-	105,334	49,833	3,128,888	3,284,055
Carrying value, October 31, 2022	4,888,000	31,359	-	683,934	5,603,293

#### 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 as at July 31, 2022 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

	October 31, 2022 \$	July 31, 2022 \$
Suppliers	532,104	410,443
Accrued expenses	406,990	591,894
Salaries, payroll deductions and contributions	23,738	32,840
	<u>962,832</u>	<u>1,035,177</u>

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

October 31, 2022

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### 11 Long-term debt

	October 31, 2022 \$	July 31, 2022 \$
Loan, secured by the universality of movable and immovable property, tangible and intangible, present and future of the Company, for a carrying value of \$ 8,386,491, interest payable monthly at the Toronto Dominion Bank's prime rate plus 6% (11.95 %; July 31 2022 – 10.7%), principal repayable at maturity in January 2024*	3,500,000	3,500,000
Canada Emergency Business Account Loan	78,128	76,423
	<u>3,578,128</u>	<u>3,576,423</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

	October 31, 2022		
	Host \$	Derivative \$	Total \$
Balance as of July 31, 2022	680,165	-	680,165
Accretion	16,835	-	16,835
Matured	(697,000)	-	(697,000)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at October 31, 2022	-	-	-
	July 31, 2022		
	Host \$	Derivative \$	Total \$
Balance as at July 31, 2021	1,325,949	361,583	1,687,532
Accretion	354,216	-	354,216
Matured	(1,000,000)	-	(1,000,000)
Change in fair value of derivative	-	(361,583)	(361,583)
Balance as at July 31, 2022	680,165	-	680,165

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

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### 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 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.

	October 31, 2022	July 31, 2022
	\$	\$
<b>Share capital issued includes:</b>		
131,266,474 shares (July 31, 2022 – 131,138,635 shares)	21,037,530	27,572,182

#### Issuance

a) Interest on convertible debentures

On September 19, 2022, the Company issued 87,840 units to holders of debentures issued on August 31, 2018, at a unit price of \$0.40. These units were issued in consideration for the interest due to them as of August 31, 2022, for a total amount of \$35,136. Each unit consists of one subordinate voting share and one warrant. Each warrant entitles its holder to subscribe for one subordinate voting share of the capital stock of the Company at a price of \$0.52 for a period of 48 months following their date of issue.

The fair value of the 87,840 shares and the 87,840 warrants was estimated at \$ 35,136 and \$ 20,274 respectively, according to the following weighted average assumptions:

Risk-free interest rate	3.5 %
Average expected duration	3 years
Expected volatility	92 %
Share price	\$0.455
Expected dividend	Nil

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## Notes to Interim Condensed Consolidated Financial Statements

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### b) Convertible debentures

On September 14, 2022, the Company issued 39,999 units following the conversion of debentures that had been issued on August 31, 2018, for a total consideration of \$30,000.

Each unit includes a subordinate voting share issued at a price of \$0.75 and a warrant exercisable at a price of \$0.95, for a period of 4 years following the date of their issuance.

The fair value of the 39,999 shares and the 39,999 warrants was estimated at \$ 20,360 and \$ 9,640 respectively, according to the following weighted average assumptions:

Risk-free interest rate	3.5%
Average expected duration	4 years
Expected volatility	92%
Share price	\$0.455
Expected dividend	Nil

## 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.

On August 24, 2022, the Company granted 300,000 stock options to employees as well as 675,000 stock options to a consultant and members of the Board of Directors, exercisable at a price of \$0.50 per subordinate voting share. Among these 975,000 options, 350,000 are exercisable immediately for a period of 5 years, while 375,000 are exercisable immediately for a period of 10 years and finally, 250,000 stock options will be exercisable from the 26 February 2023, for a period of 10 years.

The fair value of these options was estimated at \$290,550 based on the Black-Scholes valuation model and using the following weighted average assumptions:

Risk-free interest rate	3.5%
Average expected life	3.5 years
Expected volatility	92%
Share price	\$0.50
Expected dividend	Nil

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The Company recorded an expense of \$216,050 during the three-month period ended October 31, 2022 (2021 – \$36,402).

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 three-month period ended October 31, 2022, and the year ended July 31, 2022:

	October 31, 2022		July 31, 2022	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of year	8,075,000	0.34	6,940,000	0.33
Options expired	-	-	(1,085,000)	0.49
Options granted to directors and consultants	675,000	0.50	1,695,000	0.45
Options granted to members of management and employees	300,000	0.50	525,000	0.40
Outstanding, end of period	9,050,000	0.36	8,075,000	0.34
Options exercisable, end of period	8,800,000	0.35	8,075,000	0.34
Weighted average fair value of the options granted during the period		0.30		0.24

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The following table summarizes information about the options outstanding and exercisable as at October 31, 2022:

Exercise price	Options outstanding		Options exercisable
	Number of options outstanding	Weighted average remaining contractual life	
0.12 \$	801,645	8.16 years	801,645
0.15 \$	2,658,355	7.65 years	2,658,355
0.20 \$	60,000	8.39 years	60,000
0.21 \$	625,000	7.48 years	625,000
0.40 \$	1,345,000	9.05 years	1,345,000
0.44 \$	150,000	8.9 years	150,000
0.50 \$	1,700,000	8.53 years	1,450,000
0.60 \$	1,510,000	3.82 years	1,510,000
1.20 \$	200,000	0.37 years	200,000

## 15 Warrants

The following table summarizes information about the Company's warrants and the changes during the three-month period ended October 31, 2022, and the year ended July 31, 2022, all of which are exercisable:

	October 31, 2022		July 31, 2022	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of year	42,670,325	0.37	9,740,653	0.23
Issued	127,839	0.65	35,666,394	0.41
Expired			(2,036,722)	0.38
Exercised		-	(700,000)	0.25
Outstanding, end of year	42,798,164	0.37	42,670,325	0.37



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## Notes to Interim Condensed Consolidated Financial Statements

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Unaudited

The following table summarizes information about warrants outstanding as at October 31, 2022:

Exercise price \$	Warrants outstanding	
	Number of warrants outstanding	Average remaining contractual life
0.15	5,050,000	0.16 year
0.194	201,982	2.25 years
0.218	179,137	1.25 years
0.225	291,393	1.25 years
0.237	272,467	1.25 years
0.26	252,055	2.26 years
0.263	146,561	1.50 years
0.30	150,278	2.38 years
0.338	190,727	1.25 years
0.38	173,831	0.48 year
0.40	32,993,162	1.07 year
0.50	2,415,090	0.87 year
0.52	87,840	3.88 years
0.59	78,078	2.89 years
0.61	73,540	3.35 years
0.64	101,202	3 years
0.65	100,822	3.26 years
0.95	39,999	3.88 years

### 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, 2022. 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 October 31, 2022, the balance of this commitment was \$10,000.

# Devonian Health Group Inc.

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### 18 Financial expenses

Financial expenses are as follows:

	October 31, 2022 \$	October 31, 2021 \$
Interest expenses and bank charges	1,425	948
Interest on long-term debt	98,518	74,545
Interest on lease liability	266	189
Amortization of discount on convertible debentures	16,835	82,665
Amortization of discount on Canada Emergency Business Account Loan	1,706	1,570
Embedded derivative convertible debentures – Change in fair value	-	(30,132)
Interest on deposit certificate	(22,439)	-
Interest expense on convertible debentures	493	67,454
	<u>96,804</u>	<u>197,239</u>

### 19 Net loss per share

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

	October 31, 2022 \$	October 31, 2021 \$
Weighted average number of shares used to calculate the basic loss per share	<u>131,200,559</u>	<u>94,853,433</u>
Items excluded from the calculation of diluted loss per share:		
Stock options	9,050,000	7,090,000
Warrants	42,798,164	11,391,143
Convertible debenture	-	4,525,334

For the three-month periods ended October 31, 2022, and 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 three-month period ended October 31, 2022, the Company has

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paid them a total remuneration of \$516,575 (2021– \$180,380), which has been recognized in administrative expenses and of which the main components are:

	<b>2022</b>	<b>2021</b>
	\$	\$
Salaries and benefits	220,538	94,080
Management fees	50,000	50,000
Consultant and Board of Directors fees	114,917	-
Stock-based compensation	131,120	36,300

### 21 Subsequent events

Between the period of December 8 to 20, 2022, the Company issued 3,420,835 subordinate voting shares, at a unit price of \$0.15, for a total consideration of \$513,125, following the exercise of 3,420,835 warrants that had been issued on December 29, 2020.

