



Devonian Health Group Inc.

Condensed Interim Consolidated Financial Statements
Six-month period ended
January 31, 2023



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED ON JANUARY 31, 2023

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 January 31, 2023, and the interim consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the six-month period ended January 31, 2023. Our auditor has not performed an interim review of these condensed consolidated interim financial statements.

Devonian Health Group Inc.

Condensed Interim Consolidated Statements of Financial Position

As at

Unaudited

	January 31, 2023 \$	July 31, 2022 \$
Assets		
Current assets		
Cash and cash equivalents	5,962,277	2,805,191
Guaranteed investment certificate	-	5,000,000
Accounts receivable (note 5)	414,148	314,738
Tax credits receivable (note 6)	22,460	22,460
Inventories (note 7)	229,725	154,622
Prepaid expenses	55,376	120,218
	<u>6,683,986</u>	<u>8,417,229</u>
Property, plant, equipment and right-of-use assets (note 8)	2,830,797	2,884,656
Intangible assets (note 9)	5,567,993	5,641,102
Goodwill (notes 3 and 9)	4,643,084	4,643,084
	<u>19,725,860</u>	<u>21,586,071</u>
Liabilities		
Current liabilities		
Accounts payable (note 10)	864,573	1,035,177
Current portion of lease liability	20,693	6,030
Long-term debt maturing (note 11)	3,580,000	-
	<u>4,465,266</u>	<u>1,041,207</u>
Long-term debt (note 11)	-	3,576,423
Convertible debentures (note 12)	-	680,165
Lease liability	83,639	15,747
	<u>4,548,905</u>	<u>5,313,542</u>
Shareholders' Equity		
Share capital (note 13)	28,567,621	27,572,182
Stock options (note 14)	1,415,483	1,113,033
Warrants (note 15)	4,593,925	4,737,154
Contributed surplus	3,676,907	3,676,907
Deficit	(23,076,981)	(20,826,747)
	<u>15,176,955</u>	<u>16,272,529</u>
	<u>19,725,860</u>	<u>21,586,071</u>
Material uncertainty related to going concern (note 2)		

Approved by the Board of Directors

(s) Pierre Montanaro, Director

(s) Denis Poirier, Director

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

Devonian Health Group Inc.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss For the three-month periods and six-month periods ended

Unaudited

	For the three-month period ended		For the six-month period ended	
	January 31 2023 \$	January 31 2022 \$	January 31 2023 \$	January 31 2022 \$
Distribution revenues	452,767	523,504	863,120	963,927
Operating expenses				
Cost of sales	322,991	508,925	586,609	956,970
Research and development expenses	335,613	119,861	674,683	262,863
Administrative expenses	785,157	1,046,989	1,692,474	1,547,353
Financial expenses (note 18)	62,784	(28,583)	159,588	168,656
	1,506,545	1,647,192	3,113,354	2,935,842
Loss before income taxes	(1,053,778)	(1,123,688)	(2,250,234)	(1,971,915)
Net loss and comprehensive loss	(1,053,778)	(1,123,688)	(2,250,234)	(1,971,915)
Net loss per share (note 19)				
Basic	(0.01)	(0.01)	(0.02)	(0.02)
Diluted	(0.01)	(0.01)	(0.02)	(0.02)

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.

Condensed Interim Consolidated Statements of Changes in Equity

For the six-month periods

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital \$	Stock options \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Six-month period ended January 31, 2022										
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)	35,492,032	-	-	35,492,032	6,766,623	-	-	-	-	6,766,623
Share issuance costs:										
In cash	-	-	-	-	(168,757)	-	-	-	-	(168,757)
Stock-based compensation (note 14)	-	2,220,000	-	2,220,000	-	532,687	-	-	-	532,687
Issuance of warrants (note 15)	-	-	35,492,032	35,492,032	-	-	4,298,928	-	-	4,298,928
Warrants exercised (note 15)	-	-	-	-	-	-	(29,963)	-	-	-
Warrants expired (note 15)	-	-	(943,600)	(943,600)	-	-	-	29,963	-	-
Options expired (note 14)	-	(375,000)	-	(375,000)	-	(35,223)	-	35,223	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	-	-	-	(1,971,915)	(1,971,915)
	35,492,032	1,845,000	34,548,432	71,885,464	6,597,866	497,464	4,268,965	65,186	(1,971,915)	9,457,566
Balance, as at January 31, 2022	128,952,720	8,785,000	44,289,085	182,026,805	26,806,466	1,262,669	4,809,386	3,452,890	(19,350,360)	16,981,051
Six-month period ended January 31, 2023										
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
Options exercised (note 14)	50,000	(50,000)	-	-	9,300	(3,300)	-	-	-	6,000
Stock-based compensation (note 14)	-	2,125,000	-	2,125,000	-	305,750	-	-	-	305,750
Issuance of warrants (note 15)	-	-	127,839	127,839	-	-	29,914	-	-	29,914
Warrants exercised (note 15)	5,050,002	-	(5,050,002)	-	930,643	-	(173,143)	-	-	757,500
Net loss and comprehensive loss for the year	-	-	-	-	-	-	-	-	(2,250,234)	(2,250,234)
	5,227,841	2,075,000	(4,922,163)	2,380,678	995,439	302,450	(143,229)	-	(2,250,234)	(1,095,574)
Balance, as at January 31, 2023	136,366,476	10,150,000	37,748,162	184,264,638	28,567,621	1,415,483	4,593,925	3,676,907	(23,076,981)	15,176,955

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

Devonian Health Group Inc.

Condensed Interim Consolidated Statements of Cash Flows For the six-month periods ended

Unaudited

	January 31 2023 \$	January 31 2022 \$
Cash flows from		
Operating activities		
Net loss	(2,250,234)	(1,971,915)
Items not affecting cash:		
Amortization of property, plant, equipment, and right-of-use asset	140,968	133,628
Amortization of intangible assets	73,109	374,286
Amortization of discount on convertible debentures, net of settlement of original issue discount	(352,779)	165,808
Amortization of discount on emergency business account loan	3,578	3,116
Unrealized loss (gain) on derivatives	-	(287,077)
Interest on lease liability	1,335	-
Interest on convertible debentures	493	134,908
Stock-based compensation	305,750	532,687
	(2,077,780)	(914,559)
Net change in non-cash working capital items	(225,357)	(135,750)
	(2,303,137)	(1,050,309)
Investing activities		
Sale of guaranteed investment certificates	5,000,000	-
Acquisition of property, plant, and equipment	-	(58,403)
	5,000,000	(58,403)
Financing activities		
Principal payments on lease liability	(5,890)	(2,299)
Convertible debentures	(297,387)	-
Issuance of shares and warrants	-	10,763,182
Warrants exercised	757,500	-
Options exercised	6,000	-
	460,223	10,760,883
Increase (decrease) in cash	3,157,086	9,652,171
Cash – Beginning of year	2,805,191	344,795
Cash and cash equivalents – End of period	5,962,277	9,996,966

For the period ended January 31, 2023, cash flow from operating activities includes interest paid of \$ 206,721 (2022 - \$ 149,089), and \$ 369,614 for the discount portion on convertible debentures, and does not include any tax paid (2022- none).

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

Devonian Health Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

January 31, 2023

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*.

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 interim consolidated 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.

These condensed interim consolidated financial statements were adopted by the board of directors on March 17, 2023.

Devonian Health Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

January 31, 2023

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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 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:

	January 31 2023 \$	January 31 2022 \$
Research and development – Amortization of property, plant and equipment and right-of-use asset	140,968	133,628
Cost of sales – Amortization of intangible assets	73,109	374,286
Administrative expenses – Salaries and employer's contributions	312,324	268,628
Administrative expenses – Stock-based compensation	305,750	532,687
Research and development expenses – Salaries and employer's contributions	217,388	52,462

5 Accounts receivable

	January 31 2023 \$	July 31 2022 \$
Trade	300,013	219,952
Sales taxes	103,664	65,444
Interest receivable	10,471	29,342
	<u>414,148</u>	<u>314,738</u>

Devonian Health Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

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6 Tax credits receivable

	January 31 2023 \$	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)
	<hr/>	<hr/>
Balance, end of year	22,460	22,460

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

	January 31 2023 \$	July 31 2022 \$
Raw materials	170,608	75,264
Products in progress	8,886	-
Finished goods	50,231	79,358
	<hr/>	<hr/>
	229,725	154,622

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

	January 31 2023							
	Building \$	Land \$	Leasehold improvements \$	Production and laboratory equipment \$	Computer equipment \$	Furniture and equipment \$	Right- of-use asset \$	Total \$
Cost								
Balance, beginning of year	2,537,676	562,324	2,100	1,607,399	27,328	65,600	39,938	4,842,365
Acquisition	-	-	-	-	-	-	87,109	87,109
Balance, January 31, 2023	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,537,676	562,324	2,100	1,607,399	27,328	65,600	127,047	4,929,474
Accumulated amortization								
Balance, beginning of year	744,444	-	2,100	1,122,004	21,695	62,450	5,016	1,957,709
Amortization	51,308	-	-	80,288	1,126	350	7,896	140,968
Balance, January 31, 2023	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	795,752	-	2,100	1,202,292	22,821	62,800	12,912	2,098,677
Carrying value, January 31, 2023	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,741,924	562,324	-	405,107	4,507	2,800	114,135	2,830,797

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Notes to Condensed Interim Consolidated Financial Statements

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9 Intangible assets and goodwill

					January 31 2023
	Intellectual property \$	Patents \$	Website \$	Licenses, trademark and distribution rights \$	Total \$
Cost					
Balance, beginning of year	4,888,000	136,693	49,833	3,812,822	8,887,348
Balance, January 31,2023	4,888,000	136,693	49,833	3,812,822	8,887,348
Accumulated amortization					
Balance, beginning of year	-	100,176	47,325	3,098,745	3,246,246
Amortization	-	10,314	2,508	60,287	73,109
Balance, January 31,2023	-	110,490	49,833	3,159,032	3,319,355
Carrying value, January 31,2023	4,888,000	26,203	-	653,790	5,567,993

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, 2022, which is considered a Level 1 measurement.

10 Accounts payable

	January 31 2023 \$	July 31 2022 \$
Suppliers	551,153	410,443
Accrued expenses	313,420	591,894
Salaries, payroll deductions and contributions	-	32,840
	<u>864,573</u>	<u>1,035,177</u>

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11 Long-term debt

	January 31 2023 \$	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 \$ 8,284,655, interest payable monthly at the Toronto Dominion Bank's prime rate plus 6% (12.70 %; July 31 2022 – 10.7%), principal repayable at maturity in January 2024*	3,500,000	3,500,000
Canada Emergency Business Account Loan	80,000	76,423
	<u>3,580,000</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

	January 31 2023		
	Host \$	Derivative \$	Total \$
Balance as of July 31, 2022	680,165	-	680,165
Accretion	16,835	-	16,835
Matured	(697,000)	-	(697,000)
Balance as at January 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>
	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	<u>680,165</u>	<u>-</u>	<u>680,165</u>

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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.

	January 31 2023 \$	July 31 2022 \$
Share capital issued includes:		
136,366,476 shares (July 31, 2022 – 131,138,635 shares)	28,567,621	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

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

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c) Exercise of warrants

In December 2022, the Company issued 5,050,002 subordinate voting shares, at a unit price of \$0.15 per unit, for total gross proceeds of \$757,500, following the exercise of 5,050,002 warrants that had been issued on December 29, 2020. The value of \$117,286 that had been allocated to these warrants was reclassified to capital stock.

d) Exercise of stock options

On January 26, 2023, the Company issued 50,000 subordinate voting shares, at a unit price of \$0.12 per share, for gross proceeds of \$6,000, following the exercise of 50,000 stock options by a member of management. The value of \$3,300 that had been allocated to these options was reclassified to capital stock.

14 Stock option plan

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

On January 6, 2023, the Company granted 50,000 stock options to a member of management and 100,000 stock options to members of the Board of Directors, exercisable immediately at \$0.34 per subordinate voting share, for a period of 10 years.

On the same date, the Company also granted 1,000,000 stock options to a consultant, exercisable at a price of \$0.50 per subordinate voting share, for a period of 10 years. Of these 1,000,000 options, 300,000 are exercisable immediately, while 700,000 will be exercisable depending on the achievement of specific objectives.

The fair value of these options was estimated at \$224,800 based on the Black-Scholes valuation model and using the following weighted average assumptions:

Risk-free interest rate	4 %
Average expected life	5 years
Expected volatility	92%
Share price	\$0.30
Expected dividend	Nil

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The Company recorded an expense of \$307,750 during the six-month period ended January 31, 2023 (2022 – \$532,687).

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 six-month period ended January 31, 2023, and the year ended July 31, 2022:

	January 31 2023		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 exercised	(50,000)	0.12		
Options granted to directors and consultants	1,775,000	0.49	1,695,000	0.45
Options granted to members of management and employees	350,000	0.48	525,000	0.40
Outstanding, end of period	10,150,000	0.37	8,075,000	0.34
Options exercisable, end of period	9,200,000	0.36	8,075,000	0.34
Weighted average fair value of the options granted during the period		0.24		0.24

The following table summarizes information about the options outstanding and exercisable as at January 31, 2023:

Exercise price	Options outstanding		Options exercisable
	Number of options outstanding	Weighted average remaining contractual life	
0.12 \$	751,645	7.91 years	751,645
0.15 \$	2,658,355	7.40 years	2,658,355
0.20 \$	60,000	8.14 years	60,000
0.21 \$	625,000	7.23 years	625,000
0.34 \$	150,000	9.93 years	150,000
0.40 \$	1,345,000	8.80 years	1,345,000
0.44 \$	150,000	8.65 years	150,000
0.50 \$	2,700,000	8.86 years	1,750,000
0.60 \$	1,510,000	3.57 years	1,510,000
1.20 \$	200,000	0.12 years	200,000

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15 Warrants

The following table summarizes information about the Company's warrants and the changes during the six-month period ended January 31, 2023, and the year ended July 31, 2022, all of which are exercisable:

	January 31 2023		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	(5,050,002)	0.15	(700,000)	0.25
Outstanding, end of period	37,748,162	0.40	42,670,325	0.37

The following table summarizes information about warrants outstanding as at January 31, 2023:

Warrants outstanding		
Exercise price \$	Number of warrants outstanding	Average remaining contractual life
0.194	201,982	2 years
0.218	179,137	1 year
0.225	291,393	1 year
0.237	272,467	1.5 year
0.26	252,055	2 year
0.263	146,561	1.25 year
0.30	150,278	2.13 years
0.338	190,727	1 year
0.38	173,831	0.23 year
0.40	32,993,162	0.82 year
0.50	2,415,090	0.62 year
0.52	87,840	3.63 years
0.59	78,078	2.64 years
0.61	73,540	3.10 years
0.64	101,202	2.75 years
0.65	100,822	3.01 years
0.95	39,999	3.63 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

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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 January 31, 2023, the balance of this commitment was \$10,000.

18 Financial expenses

Financial expenses are as follows:

	January 31 2023	January 31 2022
	\$	\$
Interest expenses and bank charges	2,988	2,447
Interest on long-term debt	206,721	149,089
Interest on lease liability	1,335	365
Amortization of discount on convertible debentures	16,835	165,808
Amortization of discount on Canada Emergency Business Account Loan	3,578	3,116
Embedded derivative convertible debentures – Change in fair value	-	(287,077)
Interest on deposit certificate	(72,362)	-
Interest expense on convertible debentures	493	134,908
	<u>159,588</u>	<u>168,656</u>

19 Net loss per share

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

	January 31 2023	January 31 2022
	\$	\$
Weighted average number of shares used to calculate the basic loss per share	<u>132,296,560</u>	<u>107,744,498</u>
Items excluded from the calculation of diluted loss per share:		
Stock options	10,150,000	8,785,000
Warrants	37,748,162	44,289,085
Convertible debenture	-	4,525,334

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For the six-month periods ended January 31, 2023, and January 31, 2022, 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 six-month period ended January 31, 2023, the Company has paid them a total remuneration of \$832,017 (2022– \$691,949), which has been recognized in administrative expenses and of which the main components are:

	January 31 2023 \$	January 31 2022 \$
Salaries and benefits	433,012	312,889
Management fees	66,668	100,000
Consultant and Board of Directors fees	169,417	-
Stock-based compensation	162,920	279,060