Q3-2023
MANAGEMENT REPORT
FOR THE QUARTER ENDED APRIL 30, 2023

1. INTRODUCTION

This management report provides the reader with an overview of the activities and financial situation of Devonian Health Group inc. ("the Company") as at April 30, 2023. It also provides an overview of the Company's performance by comparing its results of operations on a consolidated basis, for the three-month and nine-month periods ending April 30, 2023, with those of the previous financial year for the same corresponding periods. This report should be read in conjunction with the unaudited condensed consolidated interim financial statements dated June 22, 2023, and with the Company's audited consolidated financial statements for the years ended July 31, 2022, and 2021. Financial statements contained in this management report have been prepared by Management in accordance with International Financial Reporting Standards (IFRS), based on information available to it as of June 22, 2023. All amounts presented in this document are expressed in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

The information contained in this Management's Discussion & Analysis, as well as the analysis of the results of operations and the financial position may contain statements relating to future results of operations. Certain forward-looking statements made by Management, relative to the results of the research studies as well as the objectives and the expectations of the Company, can be influenced by various risks and uncertainties and therefore generate real results different from those anticipated. The assumptions that support forward-looking statements made by Management are made from data presently available.

3. COMPANY PROFILE

Devonian Health Group is a pharmaceutical company specializing in the development of botanical drugs. Incorporated on March 27, 2015, under the Québec Business Corporations Act. On May 12, 2017, the Company was continued under the Canada Business Corporations Act. Acquired on February 1, 2018, Altius Healthcare Inc., a corporation governed by the Business Corporations Act (Ontario), is a wholly owned subsidiary of Devonian Health Group Inc.

The first family of active ingredients available to the Company is currently extracted from organic baby spinach. The flagship product of the Company, PUR0110, shows immunomodulatory, antioxidant and anti-inflammatory properties. It is the first product of a family of active ingredients, extracted using the Supra Molecular Complex Extraction and Stabilization Technology (SUPREX™). It is customary that when a drug is at an advanced stage of development, the code name be changed to a generic name associated with the chemical structure of the product. The PUR0110 will now bear the name of "Thykamine™".
In addition to benefiting from a pharmaceutical complex extraction facility in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first cosmeceutical product developed by Devonian, is an anti-aging treatment for women, consisting of day creams, night cream and eye contour. R-Spinasome®, Devonian's proprietary natural active ingredient, is an integral part of this product, ready for marketing under the brand name Purgenesis™. Purgenesis™ have earned the designation of being the first product distributed by dermatologists to be recognized by the Skin Health Program™ of the Canadian Dermatology Association. Backed by objective medical specialists and led by an Expert Advisory Board, the CDA Program provides advice for the maintenance of healthy skin, hair, and nails.
This product is patented in Canada, Europe, Japan, and United States.

About Altius Healthcare

Based in Concord, Ontario, Altius Healthcare is a specialty pharmaceutical company focused on the acquisition and licensing of safe and innovative medicines and health products designed to help people of all ages to lead a healthier life. Altius then leverages its expertise in the commercialization activities required to successfully launch and distribute these drugs in Canada.

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

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

4. SUMMARY FOR THE QUARTER ENDING APRIL 30, 2023

A) RESEARCH AND DEVELOPMENT

i) Atopic Dermatitis (AD)

The Company is continuing to prepare for this study with the help of its service providers, for the management of the clinical study and the manufacture of the creams required for the latter.
In addition, the Company continues to follow up the production of creams for the clinical study within a leading global development and manufacturing organization, which provides drug substances, drug products and drug analysis throughout the life cycle of drugs. The manufacturing processes have been transferred there and require additional information on the CMC (chemical manufacturing and control) section of the file. This additional information should be completed by September 2023. Subsequently, the production of two qualification batches will be necessary to validate the processes, after which the batch intended for the clinical study can be produced.

Depending on the funding available, the Company believes it can begin the clinical study in December 2023. As the estimated costs to conduct such a clinical study are approximately $7 million, excluding general and administrative expenses, the Company will have to raise additional funds.
The Company has also completed protocol writing for the 12-week, multicenter, Phase II/III, randomized, double-blind, parallel-group, vehicle-controlled clinical study investigating the safety and efficacy of two strengths (0.05% and 0.1%) of PUR 0110 (Thykamine™) cream applied twice daily in pediatric patients (3 months to 17 years of age) with mild to moderate atopic dermatitis.

Discussions are underway with key opinion leaders (KOL) in the pediatric sector for their participation in the study.

In addition, the Company is drafting the protocol for an auxiliary study to the above mentioned clinical study, using skin patches technology to characterize the biomarkers of the immune and epidermal barrier of the lesion skin of children with

early onset of atopic dermatitis. In addition, the study should shed light on the mechanisms of action of Thykamine™. The drafting should be completed during the summer of 2023.

About Atopic Dermatitis (AD)

Atopic dermatitis (AD), also known as eczema, is a type of inflammation of the skin. This results in itching, redness, swelling and cracking that can lead to secondary infection. The condition usually begins during childhood with changing severity over the years. Although the cause of AD is unknown, it is thought to involve genetics, a weakened immune system, and may be triggered by environmental factors. AD is the most common skin disease, and its prevalence continues to increase worldwide. There is currently a pressing need for new, effective, and well tolerated therapeutic options for AD.

ii) Thykamine™ mechanism of action

A study on the mechanism of action of Thykamine ™, initiated in a specialized laboratory during the previous fiscal year, continued during the third quarter of fiscal year 2023. After obtaining positive results, regarding the antioxidant properties of Thykamine ™, the study of the bioavailability of Thykamine ™ at the cellular level and the properties of Thykamine ™ linked to skin cells health, was initiated in September 2021. A full report was provided early December 2022. Results demonstrated that Thykamine™ may act at all phases of wound healing. The Company filed a provisional patent in October 2022. Further work is in progress and should be completed towards the end of July 2023. The final patent should be filed in September 2023.

About Thykamine™

Thykamine™, the first pharmaceutical product issued from the Devonian SUPREX ™ platform, is a highly innovative product to use in the prevention and treatment of health problems related to inflammation and oxidative stress, including ulcerative colitis, atopic dermatitis, psoriasis, rheumatoid arthritis, and other autoimmune diseases. The anti-inflammatory, anti-oxidative and immunomodulatory properties of Thykamine™ have been demonstrated in a considerable number of in vitro and in vivo studies as well as in a phase IIa clinical study on patients with mild to moderate distal ulcerative colitis. Thykamine ™ is currently being developed for ulcerative colitis and atopic dermatitis. Thykamine ™ and the SUPREX ™ platform are protected by several patents in North America, Europe, and Asia.

iii) Other pharmaceutical applications of Thykamine™

Hand and Foot Syndrome (HFS) associated to chemotherapy

Hand-foot syndrome (HFS) is a well-documented adverse effect of many chemotherapeutic agents whose prevalent characteristic manifestations include erythema, dysesthesia, pain, cracking, and scaling.

Discussions have been initiated, with a hospital dedicated to cancer research, for the design and implementation of a clinical trial (proof of concept (POC)) within a population of cancer patients. A draft protocol was written and reviewed by oncologists in early 2023. Following the various comments received, the final version of the protocol was written. The study will be carried out in patients with newly diagnosed stage 1 to 3 non-metastatic breast, colon or gastric cancer requiring treatment with capecitabine, 5-fluorouracil (5-FU) or liposomal doxorubicin as monotherapy or in combination with other agents, including immunotherapy. The protocol will assess the efficacy of PUR 0110 (Thykamine™) 0.1% cream compared to Glaxal base cream in the prevention of chemotherapy-associated PMS.
A special cream formulation has been developed and is currently undergoing stability testing.

In addition, the Company is drafting the protocol for an auxiliary study using skin patches to characterize the biomarkers of the immune and epidermal barrier of the skin (hands and feet) in these patients. This study should shed light on the mechanisms of action of Thykamine™. The drafting should be completed during the summer of 2023.

Radiodermatitis associated to radiotherapy

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

Despite its prevalence, a gold standard does not exist for its prevention and management. Many of the currently used interventions are often based upon anecdotal evidence, low value scientific studies, or physician preferences. Furthermore, trials evaluating topical agents have failed to demonstrate effectiveness in the prevention and management of radiation-induced skin injury.

The anti-inflammatory, antioxidant, and immunomodulatory properties of Thykamine ™ have been demonstrated by a considerable number of in vitro and in vivo studies. The Company believes that through the multi-target approach offered by Thykamine ™, it may be effective for the prevention and treatment of Radiodermatitis.

A first version of the research protocol was written and reviewed by a radiation oncologist. A new final version has been drafted to consider the comments received. The protocol will evaluate the efficacy of PUR 0110 (Thykamine™) 0.1% cream versus Glaxal Base cream in preventing radiation dermatitis in patients undergoing adjuvant radiation therapy for breast or head and neck cancer.

A special cream formulation for this application has been developed and is currently undergoing stability testing.

Stability assays – New method

The development of a new analytical method to validate the stability and biological activity of Thykamine™ after extraction began during the third quarter of 2022. The development of this method was entrusted to a company specialized in the development of this type of test. This method will allow stability studies of the product within global storage conditions compliant with GMP (good manufacturing practices) and ICH (International Conference on Harmonization). Such data is required by regulatory agencies when approving pharmaceutical products for marketing.
As this method must be based on a model using cultured cells, the Company selected from four cell strains, two strains having generated the most promising preliminary results. Trials are underway using a human cell strain, which at the regulatory level would be preferable. This work should be completed in October 2023. Subsequently, the next step will aim to verify 3 batches of Thykamine™ on two cell strains in order to select the one giving reproducible results. This stage should be completed during 2023.

The cell strain thus selected will then be subjected to a validation process respecting good manufacturing practices (GMP). This new method will become the cornerstone of Thykamine™ quality control.

B) DERMA COSMECEUTICAL PRODUCTS

New advertising material as well as several meetings with various potential partners took place during this quarter in order to promote the advantages of the Purgenesis™ brand.

The Company had initiated, during the last quarter of 2022, the development of 2 other products based on R-Spinasome®, namely a serum and a regenerating cream. Stability studies have been successfully completed and dermatological studies are currently underway for the serum. The regenerating cream has been produced with 2 different concentrations of R-

Spinasome® and one of them will be available to the consumer while the second, higher concentration, will be accessible to skincare professionals.

About Purgenesis ™ anti-aging Treatment

R-Spinasome®, an active complex of thylakoids extracted from organic green leaves, is the basis of the first anti-aging cosmeceutical treatment marketed under the Purgenesis ™ product line. The structure of this complex is essential for its antioxidant action, which allows it to capture and dissipate the harmful energy generated by reactive oxygen derivatives (ROS), thus restoring the complex to a state ready to be subjected to new activation cycles. This regenerative capacity invests the R-Spinasome® complex with long-lasting antioxidant activity that is still unmatched. In a clinical study of 72 subjects, Purgenesis ™ anti-aging treatment has been shown to provide anti-wrinkle, firmness, and hydration results far superior to leading anti-aging creams. Made of a day cream, night cream and eye cream, the anti-aging treatment is recognized by the Skin Health Program™ of the Canadian Dermatology Association. Purgenesis™ anti-aging treatment is protected by patents in Japan, Canada, United States and Europe (#JP5952261; #CDN 2,699,6795; #US 13 / 261,472; #EUR 11 768 299.7).

C) FINANCING

During the 3rd quarter, ended April 30, 2023, the Company issued 93,564 units at a unit price of $0.53, to a holder of a debenture issued on July 19, 2018, in consideration for the interest owed for an amount of $49,589. Each of the units consists of one subordinate voting share and one warrant giving its holder the right to subscribe for one subordinate voting share at a unit price of $0.69, for a period of 48 months following the date of issue. This issue, which was the subject of a press release issued by the Company on August 29, 2022, was authorized by the regulatory authorities on April 17, 2023.

In order to maintain financial flexibility and to have the ability to react quickly to market opportunities to raise additional capital, by offering securities on an accelerated basis in accordance with the filing of prospectus supplements, the Company has made the decision to file a preliminary short form base shelf prospectus. The latter was filed on May 10 and on May 11, the Company announced that it had obtained its visa for its preliminary shelf prospectus from the security's regulatory authorities of each of the provinces of Canada (except the territories).

Once the visa for the final short form base shelf prospectus has been obtained from the Canadian securities authorities, the Company may offer for sale and issue up to an aggregate initial offering price of $30,000,000 for Subordinate Voting Shares, Subscription Receipts, Debt Securities, Warrants and Units, or any combination thereof (collectively, the "Securities") from time to time for a period of 25 months during which the shelf prospectus remains valid. If the Company agrees to offer securities during this period, the specific terms, including the use of the proceeds of any offer of securities, will be set out in one or more prospectus supplements to the Shelf Prospectus. However, there is no certainty that any Securities will be offered or sold under the Shelf Prospectus during the 25-month period.

On May 19, after the close of the third quarter, the Company announced its intention to complete a private placement without the intermediary of a broker, for the issuance of a maximum of 33,333,333 units at a price of $0.15. per unit, i.e. a maximum sum of $5,000,000, each unit consisting of one share at a price of $0.15 and one subscription warrant which will give its holder the right to subscribe for one voting share subordinate of the Company at a price of $0.20, for a period of 24 months following the date of issue. This private placement closed on June 6, 2023, with gross proceeds of $ 1,199,665.

D) GOVERNANCE

At its Annual General and Special Meeting held on March 17, 2023, in person and via videoconference, six (6) nominees proposed for election to Devonian's Board of Directors and listed in the Company's Management Proxy Circular Company,

dated February 15, 2023, were elected by a majority of the votes cast by the shareholders present in person or represented by proxy at the meeting.
The elected candidates are Pierre J. Montanaro, André P. Boulet, Louis Flamand, Terry L. Fretz, Ashish B. Chabria, and Luc Grégoire.
The number of shares represented in person or by proxy represented 42.54% of the voting rights attached to all issued and outstanding shares of Devonian Health Group Inc.
In addition, the shareholders approved the renewal of the mandate of PricewaterhouseCoopers s.r.l/s.e.n.c.r.l. as auditor of the Company until the next annual meeting of shareholders.
The shareholders also ratified and confirmed the Corporation's stock option plan as well as the Corporation's restricted share unit plan.
On May 12, after the end of the third quarter, the Company announced the appointment of three new members to its Board of Directors, namely David Baker, Edward Dahl and Jean Forcione.

5. SUMMARY OF OPERATING RESULTS FOR THE QUARTER ENDED APRIL 30, 2023

NET LOSS

For the quarter ended April 30, 2023, the net loss amounted to $1,486,066 ($0.01 per share) compared to a net loss of $695,210 ($0.01 per share) for the same corresponding period of the previous year. For the nine-month period, ended on the same date, the net loss totaled $3,736,300 compared to $2,667,125 for the same period of the previous fiscal year. This increase in net loss for the first three quarters of 2023 compared to the same corresponding period of the previous fiscal year is mainly attributable to an increase in research and development expenses and administrative expenses, partially offset by a reduction cost of sales and financial expenses.

DISTRIBUTION REVENUES

During the third quarter of fiscal 2023, net distribution revenues of $406,100 were recorded, from the distribution of Cléo-35 and Pantoprazole magnesium through its subsidiary, Altius Healthcare. These revenues are down from those recorded for the same corresponding period of the previous fiscal year, which totaled $729,139.
For the nine-month period ended April 30, 2023, net revenues from the distribution of the same products totaled $1,269,220 compared to $1,693,066 for the corresponding period of the previous fiscal year.
This decrease in net revenues is mainly due to a $413,000 increase in expenses related to fees for pharmacy programs, which are presented as a reduction in gross revenues. It should be noted that revenues from net sales may vary from quarter to quarter mainly due to fluctuations in distributor inventories.

The Company's management is continually exploring various business opportunities to maximize its revenue and profitability, with the intention of securing further distribution rights. Moreover, Altius Healthcare plans to launch the distribution of an additional product by the end of calendar year 2023, following the signing of a distribution agreement in October 2022.

RESEARCH AND DEVELOPMENT

During the three-month period ended April 30, 2023, research and development expenses amounted to $470,343, compared to $248,019 for the same quarter of last year. These costs are mainly attributable to costs related to the clinical study on Atopic Dermatitis in the pediatric population, patent maintenance costs, the payroll of employees assigned to this

sector as well as the amortization of tangible assets from the Montmagny extraction center. The increase in research and development expenses is mainly explained by the expenses incurred for the next Phase II clinical study on Atopic Dermatitis and is also related to the extraction activities in order to prepare the material for the clinical study.
For the nine-month period ended April 30, 2023, research and development expenses amounted to $1,145,026 compared to $510,882 for the nine-month period ended April 30, 2022, and are related to the charges listed above. A total of nearly $415,000 in costs related to the clinical study on Atopic Dermatitis in the pediatric population, as well as $329,780 in payroll expenses, are the main components of research and development expenses for the first three quarters of 2023. In addition to the patent maintenance costs and the amortization of the tangible assets of the extraction center, other expenses incurred are attributable to the other projects, in particular the Hand and Foot Syndrome associated with chemotherapy, Radio dermatitis associated with radiotherapy, stability and biological activity testing of Thykamine™ as well as the development of 2 other cosmeceutical products based on R-Spinasome.

COST OF SALES

The cost of goods sold which amounted to $265,446 for the third quarter of fiscal 2023, and to $852,055 for the nine-month period, ended April 30, 2023, is composed of purchase costs, distribution, royalties and direct charges attributable to products sold by our subsidiary Altius Healthcare, as well as amortization of intangible assets. For the same corresponding periods of 2022, these costs totaled $448,305 and $1,405,275 respectively, and were also attributable to the same charges related to products sold by Altius. This decrease in the cost of sales compared to the same periods of the previous fiscal year is mainly due to the decrease in the amortization expense of distribution contracts, which totals $104,409 for the first three quarters of 2023, while this expense was instead $569,090 for the first three quarters of 2022.

OPERATING EXPENSES

General administrative expenses

The breakdown of the administrative expenses is as follows:

	Three-month period ended		Nine-month period ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
	$	$	$	$
Salaries	149,794	145,896	462,118	414,524
Stock based compensation	74,500	-	380,250	532,687
Professionnel Fees	83,632	39,246	381,034	287,681
Property taxes	28,578	27,214	87,320	83,807
Others	771,311	287,294	1,489,567	728,304
	1 107,815	499,650	2,800,289	2,047,003

For the quarter ended April 30, 2023, administrative general expenses amounted to $1,107,815 compared to $499,650 for the quarter ended April 30, 2022. For the nine-month period ended on the same date, the administrative expenses totaled $2,800,289 compared to $2,047,003 for the same corresponding period of the previous fiscal year.
This increase compared to the corresponding period of 2022, is mainly due to the increase in other expenses, professional fees, and salary expenses, partially offset by a decrease in stock-based compensation expenses.

Payroll expenses incurred for the third quarter of fiscal year 2023 are similar to those recorded during the corresponding quarter of the previous fiscal year.

As for the increase in salary expenses observed for the first three quarters of 2023, it is mainly explained by the hiring of Mr. Pierre Montanaro as President and Chief Executive Officer as well as the salary adjustments made during the second quarter of 2022.

Stock-based compensation expense of $74,500 and $380,250, respectively, for the three months and nine months ended April 30, 2023, arose from charges recognized following the grant of stock options purchase of shares to employees, consultants and members of the board of directors. For the same corresponding periods of 2022, these charges totaled $0 and $532,687 respectively and were also related to the granting of stock options to consultants, members of management and members of the board.

The increase in professional fees compared to the previous fiscal year is mainly explained by the costs related to the preparation of the annual financial statements as well as those related to the preparation of the annual information form and the preliminary simplified base shelf prospectus filed on May 10, 2023.

Other costs, which total $771,311 and $1,489,567 respectively for the third quarter and the nine-month period ended April 30, 2023, are attributable to operating costs for the Montmagny's extraction site and Altius Healthcare, management fees, consulting fees, and other board-related charges. The purchase of miscellaneous supplies as well as the costs related to the Corporation's securities and travel expenses are also part of these other expenses. This increase compared to the same corresponding periods of the previous fiscal year is mainly related to consulting fees and expenses generated by the Board of Directors, as well as the hiring, in November 2022, of a chief commercial affair for Altius Healthcare, as well as an adjustment to the Altius Healthcare COO contract.

FINANCIAL EXPENSES

Financial expenses amounted to $48,562 for the quarter ended April 30, 2023, and $208,150 for the nine-month period ended on the same date, compared to $228,375 and $397,031 for the same corresponding periods of fiscal 2022. This decrease in financial expenses, compared to those recorded for the same period of the previous fiscal year, is mainly attributable to the amortization of the discount and interest on the convertible debentures issued in July and august 2018, and recognized in 2022, whereas these debentures have been fully repaid or converted since August 31, 2022. As for the increase in interest on the long-term debt bearing interest at a variable rate, it would have been offset by the investment income generated by certificates of deposit, for the nine-month period ended April 30, 2023.

6. QUARTERLY INFORMATION

	Three-month period ended								
	April 30 2023	January 31 2023	October 31 2022	July 31 2022	April 30 2022	January 31 2022	October 31 2021	July 31 2021	April 30 2021
	$	$	$	$	$	$	$	$	$
Revenues	406,100	452,767	410,353	612,122	729,139	523,504	440,423	334,695	255,109
Net (loss)	(1,486,066)	(1,053,778)	(1,196,456)	(781,177)	(695,210)	(1,123,688)	(848,227)	(888,727)	(806,871)
Net (loss) per share	(0.01)	(0.008)	(0.009)	(0.006)	(0.006)	(0.009)	(0.009)	(0.009)	(0.009)
Diluted (loss) per share	(0.01)	(0.008)	(0.009)	(0.006)	(0.006)	(0.009)	(0.009)	(0.009)	(0.009)

7. FINANCIAL SITUATION

Liquidities and capital resources

As at April 30, 2023, the Company had cash and cash equivalents totaling $5,128,337 compared to $2,805,191 in cash and $5,000,000 in guaranteed investment certificates as at July 31, 2022. The Company estimates that it will be able to adequately finance its activities and meet its cash requirements until the end of the second quarter of its fiscal year 2024.

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Total assets as at April 30, 2023 amount to $18,753,462 compared to $21,586,071 as at July 31, 2022. The decrease in assets is mainly attributable to the decrease in liquidities as well as the reduction in tangibles and intangibles assets as a result of amortization expense for the period.

Total liabilities as at April 30, 2023 amounted to $4,909,871 compared to $5,313,542 as at July 31, 2022, a decrease mainly due to the repayment of the second tranche of debentures issued on August 31, 2018, partially offset by an increase in debts operating.

Financing activities

Cash generated from financing activities for the nine-month period ended April 30, 2023, follows the exercise of warrants in December 2022 for gross proceeds of $757,500.

To date, the Company has financed its activities through private placements of subordinated voting shares and subscription rights as well as the issuance of convertible debentures and operating income generated by its subsidiary.

The Company's profitability is based on factors such as its ability to market, sell and distribute its cosmetics and pharmaceutical products, the success of the various clinical studies, the various approvals of the regulatory bodies as well as the ability to obtain the necessary funding. The Company's ability to continue as a going concern depends on its ability to realize other types of financing and its ability to generate profitable sales.

8. OUTSTANDING SHARE DATA

As of June 22, 2023, the number of issued and outstanding shares reached 144,457,804 while the number of outstanding options granted under the issued stock option plan was 10,725,000, of which 10,025,000 are exercisable immediately at a price ranging from $0.12 to $0.60. The Company also had 45,570,160 warrants, entitling holders to subscribe for one subordinate voting share of the Company at a price ranging from $0.19 per share to $0.95 per share.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Use and impact of financial instruments

The main financial instruments used by the Company arise from its operating activities, namely through its accounts payable, the recovery of taxes paid on its purchases, refundable tax credits on research and development expenses, and through its sales.

Exchange rate risk

During the nine-month period ended April 301, 2023, the Company completed a few foreign currency transactions with a minimum value. Management will evaluate options to deal with future changes in the Canadian dollar against the US dollar, should the value of foreign currency transactions be significant. Financial charges as well as general administrative expenses could be influenced by these financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of interest rate fluctuations on its debt with the private lender, which bears interest at a variable rate. Based on the net exposures presented above as at April 30, 2023, and assuming all other variables remain constant, a 1% increase or decrease in the interest rate would result in an increase or decrease of approximately $26,250 of the net loss of the Company for the nine-month period, ended April 30, 2023.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in honoring commitments associated with financial liabilities. As of April 30, 2023, the Company had current debts of $4,831,727. The Company's operating and capital expenditure budgets as well as major transactions outside the normal scope of its activities are reviewed and approved by the Board of Directors.

Risk of economic dependence (Altius)

The revenues of Altius Healthcare (Altius) currently come from the sale of Cléo-35 and Pantoprazole Magnesium. Altius obtains its supplies from third parties and cannot be sure of the manufacture and delivery of these drugs, despite reports of forecasts provided to them.

A break in the supply of Pantoprazole Magnesium would have a negative impact on the company's revenues in order to reduce the associated economic risk, Altius' strategy is to acquire rights to market other pharmaceutical products.

Note also that Altius Healthcare plans to launch the distribution of an additional product by the end of calendar year 2023, following the signing of a distribution contract in October 2022.

Risks related to research and development operations

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

Risks related to our shares

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

10. CRITICAL ACCOUNTING POLICIES AND ESTIMATE

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect the amounts reported as assets, liabilities and income and expenses. These amounts reflect management's best estimate based on overall economic conditions and decisions based on the Company's most probable course of action. Any changes to these assumptions and estimates could have an impact on actual results. The consolidated and audited financial statements for the year ended July 31, 2022, should be referenced for further details regarding significant accounting policies and estimates for the purpose of evaluating and understanding the financial statements of the Company.

11. CONTINUITY OF OPERATIONS

The Company is engaged on a process of developing botanical drugs and will have to obtain the necessary financing to continue its activities until the marketing phase of its products. The Company has incurred losses since its inception and expects that this situation will continue in the foreseeable future. The Company's liquidity is limited considering its ongoing projects. Consequently, the Company's ability to continue as a going concern depends on its ability to obtain, in a timely matter, further financing to complete research and development projects and market products, achieve profitable operations while generating positive cash flows. No assurance can be given in that matter. Further financing will continue to be required since it is impossible to estimate when the Company will achieve profitability. Management continues to negotiate further financing and different agreements that could create positive cash flows. The success of these negotiations is contingent on many factors outside the Company's control and there is substantial uncertainty about the Company's ability to successfully complete such financings and agreements that may cast significant doubt on the Company's ability to continue as a going concern.