2023
MANAGEMENT REPORT - FOR THE YEAR ENDED JULY 31, 2023, AND THE QUARTER ENDED JULY 31,2023.

1. INTRODUCTION

This management report provides the reader with an overview of the activities and financial position of Groupe Devonian Inc. ("The Company") as of July 31, 2023. It also provides an overview of the Company's performance by comparing its operating results on a consolidated basis for the twelve-month period ending July 31, 2023 (“the year 2023") with those of the twelve-month period ending July 31, 2022 ("the year 2022").

Unless otherwise stated or unless the context otherwise requires, any reference in this MD&A to "Devonian", the "Company", "we", "us", "our" or other similar terms refers to Devonian Health Group inc. and its subsidiary, on a consolidated basis.

It should be read in conjunction with the Company's consolidated and audited financial statements for the years ended July 31, 2023, and July 31, 2022. The financial data contained in this Management ‘s Discussion & Analysis report have been prepared by the Management, in accordance with the International Financial Reporting Standards (IFRS), based on the information available as of November 20, 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

Altius Healthcare is a specialty pharmaceutical company focused on the acquisition and licensing of safe and innovative medicines and health products designed to help people of all age to lead a healthier life. Altius then leverages its expertise in the commercialization activities required to successfully launch and distribute these drugs in Canada.
Altius' current portfolio includes two pharmaceutical drugs: Pantoprazole magnesium and Cleo-35.

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

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

4. HIGHLIGHTS 2023

The main objectives of our business plan for 2023 were initially to be able to put in place the necessary conditions to obtain the financing required to continue its research and development activities related to the potential pharmaceutical applications of Thykamine™.

Conditional on obtaining the necessary funding in a timely manner and without pre-established order, the main research and development projects concern more particularly inflammatory diseases in dermatology. For 2023, the Company targeted the initiation of a series of clinical trials, including a phase 2/3 clinical trial in a pediatric population suffering from mild to moderate atopic dermatitis, a proof-of-concept phase 2 clinical trial (“POC”) in patients suffering from hand and foot syndrome (“HFS”) associated with chemotherapy, and a phase 2 POC clinical trial, in patients suffering from radiotherapy-associated radiodermatitis.
The Company also aimed to finalize and confirm, in compliance with the FDA's Good Drug Manufacturing Practices ("cGMP"), a state-of-the-art quality assurance system using testing cellular, as well as the study of the mechanisms of action of Thykamine™ on the skin.

Growth in distribution revenues through its subsidiary, Altius Healthcare, and the conclusion of new distribution agreements were also desired, in order to generate liquidity and offset a certain portion of research and development costs.

A) RESEARCH AND DEVELOPMENT

i) Atopic dermatitis (AD)

Following the positive results in the adult population, the Company decided to carry out a clinical study on Atopic Dermatitis (AD) in the pediatric population.
The Company is continuing the preparation of this study with the help of its service providers, for the management of the clinical study and the manufacturing of the creams necessary for it.
Additionally, the Company continues to monitor the production of clinical study creams within a leading global development and manufacturing organization, which provides drug substances, drug products and delivery services, analysis throughout the life cycle of medicines. The manufacturing processes were transferred there and required additional information on the CMC (chemical manufacturing and control) section of the file. This additional information was completed in October 2023. Subsequently, the production of two qualification batches will be necessary to validate compliance with the processes, after which the batch intended for the clinical study can be produced. The production of a first qualification batch is planned for the end of November 2023.

The Company also completed the drafting of the protocol for a 12-week, multicenter, phase II/III, randomized, double-blind, parallel-group, vehicle-controlled clinical study investigating the safety and efficacy of two concentrations. (0.05% and 0.1%) of PUR 0110 (Thykamine™) cream applied twice daily in pediatric patients (aged 3 months to 17 years) with mild to moderate atopic dermatitis.

Discussions are underway with key opinion leaders (KOLs) in the pediatric sector for their participation in the study. We are awaiting confirmation of a physician who is expected to serve as principal investigator of the Society's pediatric program.

Depending on the funding available, the Company believes it will be able to begin the clinical study in December 2023. As the estimated costs to conduct such a clinical study are estimated at approximately $7 million, excluding general and administrative costs, the Company will have to raise additional funds.

In addition, the Company is drafting the protocol for an auxiliary study to the study mentioned above, using skin patches to characterize the biomarkers of the immune and epidermal barrier of the lesional skin of children suffering from atopic dermatitis. early pediatric. In addition, the study should shed light on the mechanisms of action of Thykamine™. The drafting should be completed in December 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 financial year, continued during the 2023 financial year. After obtaining positive results regarding the properties of Thykamine MC, the study of the bioavailability of Thykamine™ at the cellular level and the properties of Thykamine™ related to the health of skin cells, was initiated in September 2021. A full report was provided in early December 2022. The results demonstrated that Thykamine™

can act at all phases of healing. The Company filed a provisional patent in October 2022. Further work was completed in July 2023. The final patent is expected to be filed in November 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 and in a phase II clinical study in patients with mild to moderate 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-and-foot syndrome (HFS) is a well-documented adverse effect of numerous chemotherapeutic agents. The prevalent characteristic manifestations include erythema, dysesthesia, pain, cracking, and desquamation.

Discussions have begun, with a hospital dedicated to cancer research, for the design and implementation of a clinical trial (proof of concept (POC)) among a population of cancer patients. A draft protocol was written and reviewed by oncologists in early 2023. The final version of the protocol was written taking into account the various comments received. The study will include 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 monotherapy. or in combination with other agents, including immunotherapy.

The protocol will make it possible to evaluate the effectiveness of PUR 0110 (Thykamine™) 0.1% cream compared to “Glaxal base” cream, in the prevention of PMS associated with chemotherapy.

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 same patients. This study should shed light on the mechanisms of action of Thykamine™. The drafting should be completed in January 2024.

Radio dermatitis associated with radiotherapy.

Radio dermatitis (radiation dermatitis, radiation-induced skin reactions, or radiation injury) is one of the most common side effects of ionizing radiation applied in radiotherapy of carcinoma of all locations, most commonly tumors in the breast region, head and neck, lung and soft tissue sarcomas.

Despite its prevalence, there is no gold standard for its prevention and management. Many of the interventions currently in use are often based on anecdotal evidence, underpowered studies, or physician preferences. Additionally, trials evaluating topical agents have failed to demonstrate efficacy in the prevention and management of radiation-induced skin damage.

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 could be effective for the prevention and treatment of radio dermatitis.

A first version of the research protocol was written and reviewed by a radiation oncologist. A new final was drafted taking into account the comments received. The protocol will evaluate the effectiveness of PUR 0110 (Thykamine™) cream 0.1% compared to “Glaxal base” cream in the prevention of radiodermatitis in patients undergoing adjuvant radiotherapy for breast or head cancer and by the neck.

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

Stability tests -new method

The development of a new analytical method to validate the stability and biological activity of Thykamine™ after extraction was initiated during the third quarter of 2022. The development of this method was entrusted to a specialized company in the development of this type of test. This method will allow product stability testing under overall storage conditions in compliance with GMP (good manufacturing practices) and ICH (International Conference on Harmonization). Such data is required by regulatory agencies upon approval for marketing of pharmaceutical products.

This method must be based on a model using cells in culture, the Company selected from four cell lines, two lines of animal origin having generated the most promising preliminary results. Trials are underway using a human cell line, which would be preferable at the regulatory level. This work should be completed in October 2023. The next step will aim to verify 3 batches of Thykamine™ on the two cell lines in order to select the one giving reproducible results. This stage is expected to be completed during March 2024.

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

Patents

On June 20, 2023, the Company announced that the United States Patent and Trademark Office ("USPTO") issued a Notice of Allowance for Devonian Patent Application No. 16/998,004 titled "Thylakoid Extract Composition and Formulation for the Treatment of Inflammatory Bowel Disease".
This US patent application adds to Devonian's existing patent portfolio relating to thylakoids developed by the Company, such as PUR0110 (Thykamine™). The authorized U.S. patent application relates to a method of treating inflammatory bowel diseases (IBD) such as ulcerative colitis and Crohn's disease in a human subject with an effective amount of active thylakoid extract.

B) DERMA COSMECEUTICAL PRODUCTS

In the last quarter, we have intiated discussions with several distributors both in Canada and the US to find a potential partner to distribute our Purgenesis product line in Canada and the USA. Our objective is to find the ideal business partner to sell our Purgenesis product line in specialy markets such as medical spas, surgical clinics and dermatologist offices.

During the last quarter of 2022, the Company initiated the development of 2 other products based on R-Spinasome®, namely a serum and a regenerating cream. Stability studies have been successfully carried out 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 of higher concentration, will be accessible to skin care 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

In order to maintain financial flexibility and have the ability to respond quickly to market opportunities to raise additional capital, by offering securities on an accelerated basis pursuant to the filing of prospectus supplements, the Company has made the decision to file a simplified preliminary prospectus. The final version of the latter, filed on June 22, under Regulation 11-102 respecting the passport system, CQLR, c. V-1.1, r. 1 (the "Regulation") has been approved by the securities regulatory authorities of each of the provinces of Canada (except the territories).
The Company may thus offer for sale and issue up to an aggregate initial offering price of $30,000,000 of 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 such period, the specific terms, including the use of proceeds from any offering of Securities, will be set out in one or more prospectus supplements to the Shelf Prospectus. However, there can be no assurance that any Securities will be offered or sold under the Shelf Prospectus during the 25 month-period.

During the year, the Company issued 181,404 units to holders of debentures issued on July 19, 2018, and August 31, 2018, respectively, at a price ranging from $0.40 to $0.53. These units were issued in consideration of the interest owed to them in the total amount of $84,725. 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 Company's capital stock at a price varying from $0.52 to $0.69 for a period of 48 months. Note that this was the last payment of interest in units, on these two tranches of convertible debentures.

In September 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. As of October 7, 2022, the entire balance of $667,000 of convertible debentures had been repaid to holders.

During the second quarter of the fiscal year, the Company issued 5,050,002 subordinate voting shares, at a unit price of $0.15 per unit, for gross proceeds of $757,500, following the exercise of 5,050,002 subscription warrants.

On June 6, 2023, the Company completed a private financing by issuing 7,997,765 units at a price of $0.15 per unit, for gross proceeds of $1,199,665. Each unit consists of one subordinate voting share and one share subscription warrant. Each warrant entitles its holder to acquire one subordinate voting share at a price of $0.20 per share, until June 2025.

D) COMMUNICATIONS

The final manuscript on the results of the clinical study of atopic dermatitis in adults has been submitted and accepted by a peer-reviewed scientific journal, for publication in the Journal of Drugs in Dermatology ("JDD"). This JDD article, entitled ''Phase 2 Trial of Topical Thykamine™ in Adults with Mild to Moderate Atopic Dermatitis'' was published in a special issue on atopic dermatitis during the month of October 2022.
In addition, the Company presented the therapeutic properties of Thykamine™ on November 3, 2022, at the "6th Annual Dermatology Drug Development Summit" held in Boston, USA.
The results of the phase 2 clinical study in mild to moderate atopic dermatitis (AD) in adults were also presented at the 25th World Congress of Dermatology (''CMD'') which was held in Singapore from 3 to July 8.

E) GOVERNANCE

On August 29, 2022, in order to face its new phase of development and further strengthen Devonian's management team, the Company appointed Mr. Pierre Montanaro to the position of President and Chief Executive Officer ("CEO"). Dr. André P. Boulet now assumes the role of Chief Scientific Officer (“CDS”).

The company also made changes to the executive and board of directors of Altius Healthcare, through the appointment of Mr. Pierre Montanaro as CEO and Chairman of the Board of Directors of Altius (“CA”) .

At its annual and extraordinary general meeting held on March 17, 2023, six (6) candidates proposed for election to the board of directors of Devonian and listed in the management information circular of the Company, dated February 15, 2023, were elected by a majority of votes cast by shareholders present in person or represented by proxy at the meeting. These are Messrs. Pierre J. Montanaro, André P. Boulet, Louis Flamand, Terry L. Fretz, Ashish B. Chabria, and Luc Grégoire.

On May 12, the Company also announced the appointment of three new members to its board of directors, namely David Baker, Edward Dahl and Jean Forcione.

5. KEY FINANCIAL INFORMATION

	Year ended July 31, 2023	Year ended July 31, 2022
	$	$
Distribution revenues	2,345,389	2,305,188
Operating expenses		
Research and development expenses	1,354,221	778,544
Cost of sales	1,453,048	1,744,173
Administratives expenses	3,862,371	2,695,037
Financial expenses	275,356	535,736
Net loss and comprehensive loss	(4,599,607)	(3,448,302)
Net loss per share	(0,034)	(0,029)
Total Assets	19,177,478	21,586,071
Total liabilities	4,930,026	5,313,542
Shareholder's equity	14,247,452	16,272,529

NET LOSS

For the year ended July 31, 2023, the net loss attributable to shareholders amounted to $4,599,607 ($0.034 per share) compared to a net loss of $3,448,302 ($0.029 per share) for the previous year. This increase in net loss compared to the previous financial year is mainly attributable to an increase in research and development expenses and administrative expenses, partially offset by a slight increase in distribution revenues accompanied by a reduction in financial expenses.

REVENUES

During the year ended July 31, 2023, net distribution income of $2,345,389 was recorded. This revenue comes mainly from the sale of Cléo-35 and Pantoprazole Magnesium via its subsidiary Altius Healthcare. For the previous financial year ended on this same date, revenues of $2,305,188 were recorded, also from the sale of Cleo-35 and Pantoprazole Magnesium via its subsidiary Altius Healthcare. The increase in net revenues is attributed to the increase in sales of Altius Pantoprazole, which regained market share during the last quarter of the fiscal year which benefitted from a supply issue at a major competitor, and increased

distribution through independent pharmacies and some large buying groups. The management of Altius is currently exploring new potential business opportunities to expand its portfolio and add new revenues. In October, 2022, Altius signed a distribution Agreement with a Brand Name Business Partner to launch the authorized generic version of a major drug in Canada upon the end of market exclusivity of the drug, which is currently pending court deliberation.

RESEARCH AND DEVELOPMENT

During the year ended July 31, 2023, research and development expenses amounted to $1,354,221, compared to $778,544 for the previous year. Among these costs, $464,060 is mainly attributable to activities related to the preparation of the clinical study on Atopic Dermatitis in the pediatric population, extraction activities and the purchase of materials. Costs of $201,201 are related to the development of a new analytical method to validate the biological activity of Thykamine™ after extraction, the study of the mechanisms of action of Thykamine™ and other applications of Thykamine™. These Research and Development expenses also include patent maintenance costs for a total of $57,400, a payroll of employees assigned to this sector for a sum of $343,817 as well as $287,743 which is attributable to the depreciation of tangible assets of the Montmagny extraction center. Note that the total sum of $1,354,221 is net of the reimbursement in the form of a research and development credit of $75,054 which will be claimed from government authorities for the 2023 fiscal year. During the 2023 fiscal year, the Company received all of the refundable credits claimed for the 2022 fiscal year.

COST OF SALES

The cost of product sold, which amounted to $1,453,048 for fiscal 2023, is made of acquisition costs, distribution costs, royalties, and direct charges attributable to products sold by our subsidiary, Altius Healthcare, as well as an amortization charge for intangible assets of $135,708. For the 2022 fiscal year, these costs which totaled, $1,744,173 were also attributable to the same products sold by Altius but with an amortization charge of $ 592,787. The decrease in depreciation expense for 2023 mainly explains the reduction in cost of sales.

OPERATING EXPENSES

General administrative expenses

The allocation of positions related to overhead is as follows:

	Year ended July 31, 2023		Year ended July 31, 2022
	$		$
Salaries	832,460		587,883
Stock based compensation	484,875		532,687
Professional Fees	575,394		243,426
Property taxes	115,898		111,021
Promotion and Marketing	244,630		117,643
Others	1,609,114		1,102,377
	3,862,371		2,695,037

For the fiscal year ended July 31, 2023, general administrative expenses amounted to $3,862,371 compared to $2,695,037 for the fiscal year ended July 31, 2022. This increase compared to fiscal 2022 is mainly due to the increase in salary costs, professional fees, as well as the increase in other costs.

The increase in salaries and social security contributions compared to 2022 is partly attributable to salary adjustments for members of management, which came into effect from the second quarter of 2022, in addition to the hiring of Mr. Pierre

Montanaro to the end of August 2022, as President and CEO. A charge relating to a bonus paid to a member of Management also explains a portion of this increase.

The stock-based compensation expense of $484,875 (a non-cash expense) is attributable to the 2,900,000 stock options granted to consultants and directors of the Company as well as to employees and members of the management of the Company. During the 2022 financial year, an expense of $532,687 was recorded following the granting of 1,695,000 stock options to consultants and directors of the Company as well as 525,000 stock options. purchase of shares granted to employees and members of the management of the Company.

Professional fees totaling $575,394 for the entire 2023 fiscal year are mainly related to fees for the audit of the Company's consolidated financial statements, legal fees related to the company's various development projects and corporate affairs as well as the costs incurred for the preparation and filing of the preliminary prospectus. Professional fees of $243,426 were incurred during the previous fiscal year.

Promotion and marketing expenses, which amount to $244,630 for fiscal year 2023, compared to $117,643 for the previous fiscal year, are related to the distribution of Pantoprazole and Cléo-25 as well as the various relations activities with potential investors.

Other costs, which total $1,609,114, are attributable to operating costs for Altius and the Montmagny site, travel costs, management and consulting fees, as well as costs related to securities on the stock exchange of the society. The increase in these other costs, compared to 2022, is mainly explained by the increase in consulting fees and costs related to regulatory authorities.

FINANCIAL EXPENSES

Net financial expenses amounted to $275,356 for the year ended July 31, 2023, compared to $535,736 for the previous year. Among the financial expenses for 2023, $428,895 is attributable to interest paid on long-term debt and for which the increase in interest rates occurring during 2023 was offset by interest income generated by certificates of guaranteed investment for an amount of $184,318.

For the previous year, in addition to interest paid on long-term debt totaling $309,197, financial expenses were also composed of net non-cash charges totaling $254,633 and related to convertible debentures issued in July 2018 and August 2018.

6. FOURTH QUARTER

RESULTS

For the quarter ended July 31, 2023, the net loss was $863,307 ($0.01 per share) while for the same period ended July 31, 2022, the Company had a net loss of $781,177. $ ($0.006 per share).

This increase in net loss compared to that recorded during the same quarter of the previous fiscal year is mainly explained by an increase in administrative expenses, more particularly expenses related to professional fees and those related to salaries and social benefits.

During the last quarter ended July 31, 2023, the Company recorded a total of $1,076,169 in distribution revenues for Cleo-35® and Pantoprazole Magnesium while for the same corresponding period in 2022, a total of $612,122 in revenues had been recorded. This significant increase in revenue for the last quarter of 2023 is mainly attributable to sales of Pantoprazole Magnesium, for which Altius Healthcare regained market share.

It should be noted that revenues from net sales may vary from one quarter to the next mainly due to fluctuations in distributor inventories.

7. QUARTERLY INFORMATION

	Quarter ended								
	July 31 2023	April 30 2023	January 31 2023	October 31, 2022	July 31, 2022	April 30, 2022	January 31 2022	October 31, 2021	July 31, 2021
	$	$	$	$	$	$	$	$	$
Revenues	1,076,169	406,100	452,767	410,353	612,122	729,139	523,504	440,423	334,695
Net (loss)	(863,307)	(1,486,066)	(1,053,778)	(1,196,456)	(781,177)	(695,210)	(1,123,688)	(848,227)	(888,727)
Net (loss) per share	(0.01)	(0.01)	(0.008)	(0.009)	(0.006)	(0.006)	(0.009)	(0.009)	(0.009)
Diluted (loss) per share	(0.01)	(0.01)	(0.008)	(0.009)	(0.006)	(0.006)	(0.009)	(0.009)	(0.009)

8. FINANCIAL SITUATION

Liquidities and capital ressources

As of July 31, 2023, the Company had cash and cash equivalents totaling $5,062,936 compared to $7,805,191 as of July 31, 2022. For the year ended July 31, 2023, the net decrease in cash is mainly attributable to expenses incurred totaling $4,365,246 to finance operating activities which were only partially offset by financing activities which generated a net sum of $1,613,991. Considering the ongoing discussions related to long-term debt as well as the revenues that could be generated by the distribution of a new product by Altius, the Company believes that it will be able to adequately finance its activities and meet its cash flow needs over the next 12 months.

Total assets as of July 31, 2023 amount to $19,177,478 compared to $21,586,071 as of July 31, 2022. The decrease is mainly due to the drop in liquidity and the decrease in tangible and intangible assets following the amortization charges.

Total liabilities as of July 31, 2023 amount to $4,930,026 compared to $5,313,542 as of July 31, 2022, a decrease mainly due to the repayment of convertible debentures, partially offset by an increase in operating debts and lease obligations.

Financing activities

The cash generated by financing activities for the year ended July 31, 2023, is mainly attributable to the net proceeds of $1,162,544 for the issuance of new shares and warrants through a private placement, as well as the exercise of warrants for a total of $757,500.

Until now, the Company finances its activities through private placements of common shares and subscription rights as well as the issuance of convertible debentures and operating revenues generated by its subsidiary.

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

9. OUTSTANDING SHARE DATA

As of November 20, 2023, the number of shares issued and outstanding reached 146,730,532 while the number of outstanding options granted under the stock option plan stood at 10,725,000 of which 10,025,000 are exercisable. The Company also had 37,787,132 warrants, allowing holders to subscribe for one subordinate voting share of the Company at a price ranging from $0.19 per share to $0.95.

10. RELATED PARTY OPERATIONS

The principal officers of the Company are the President, the Subsidiary President, the Interim Chief Financial Officer and the Directors. During the fiscal year ended July 31, 2023, the Company paid them total compensation of $1,679,048, including $1,057,960 in salaries, bonuses, and benefits, $66,668 in management fees, $283,250 in consulting fees and $271,170 in the form of stock-based compensation.

11. 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. Its financing activities carried out during the fiscal year ended July 31, 2023, mainly resulted in the issuance of Company securities.

Exchange rate risk

During the year ended July 31, 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 Group, which bears interest at a variable rate. Based on the net exposures presented above as at July 31, 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 $35,000 of the net loss of the Company for the full year.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulty honoring commitments linked to financial liabilities. As of July 31, 2023, the Company had current debts of $4,857,452 of which $3,580,000 are related to long-term debts maturing in January 2024. The operating and expenditure budgets of The Company's investment as well as significant operations outside the normal scope of its activities are examined and approved by the board of directors. The Company invests its available cash in highly liquid fixed income securities. ($4,000,000 in 2023 and $5,000,000 in 2022) The Company monitors its liquidity, which allows it to be able to seek additional liquidity in a timely manner.

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.

The Company relies heavily on a number of key executives and scientists.

The Company is highly dependent on its executive officers. Thus, the loss of key members of the Company's staff could harm the Company. Although the Company enters into employment agreements with all members of its staff, such employment agreements do not guarantee their retention. The Company also depends on its scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to the Company. In addition, the Company believes that its future success will depend in large part upon its ability to attract and retain highly skilled scientific, managerial, medical, manufacturing, clinical and regulatory personnel, particularly as the Company expands its activities and seeks regulatory approvals for clinical trials. The Company enters into agreements with its scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of its business. The Company also enters into agreements with physicians and institutions who will recruit patients into the Company's clinical trials on its behalf in the ordinary course of its business. Should key academic and scientific personnel including employees or collaborative partners who work on the development of the Company's research activities leave, the Company's current and future development programs may be delayed or adversely affected. Notwithstanding these arrangements, the Company faces significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. The Company cannot predict its success in hiring or retaining the personnel it requires for continued growth. In addition, due to limited financial resources, the Company may not be able to successfully expand its operations due to challenges in recruiting and training qualified new staff. Expansion of personnel may result in significant diversion of management time and resources.

The Company's success is also dependent on the Company's ability to recruit, retain and motivate qualified scientific, clinical, manufacturing and commercialization personnel. The Company may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. The Company also experiences competition for the hiring of scientific and clinical personnel from universities and research institutions.

Risks related to research and development operations

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

Risks related to our shares

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

12. SUBSEQUENT EVENTS

On September 1, 2023, the Company completed a private financing by issuing 2,272,727 units at a unit price of $0.22 for gross proceeds of $500,000. Each unit is composed of one subordinate voting share and a subscription warrant. Each warrant entitles its holder to subscribe for one subordinate voting share of the Company's capital stock at a price varying from $0.28 for a period of 24 months following their date of issue.

13. CRITICAL ACCOUNTING POLICIES AND ESTIMATE

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

14. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The 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. The balance of the Company's long-term debt matures in January 2024 and the Company will need to use its liquidity to repay this debt or find another financial partner.Management continues to negotiate further financing and different agreements that could create positive cash flows. The success of these negotiations is contingent on many factors outside the Company’s control and its ability to successfully complete such financings and agreements is tinged with material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.