



## **DEVONIAN HEALTH GROUP INC.**

Interim Condensed Consolidated Financial Statements for the three and six-month periods ended

**January 31, 2024 and 2023**

(Unaudited)

# Devonian Health Group Inc.

## Consolidated Statements of Financial Position

As at January 31, 2024 and July 31, 2023

(Unaudited)

	January 31, 2024 \$	July 31, 2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,004,084	5,062,936
Accounts receivable (note 4)	2,750,911	865,714
Tax credits receivable	75,054	75,054
Inventories (note 6)	142,057	159,783
Prepaid expenses (note 5)	364,806	181,491
Deferred financing costs	196,662	-
	<u>4,533,574</u>	<u>6,344,978</u>
<b>Property, plant, equipment, and right-of-use assets</b>	2,612,068	2,684,022
<b>Intangible assets</b>	5,441,270	5,505,394
<b>Goodwill</b>	<u>4,643,084</u>	<u>4,643,084</u>
	<u>17,229,996</u>	<u>19,177,478</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable (note 7)	3,918,644	1,255,806
Current portion of lease liability	36,367	21,646
Current portion of long-term debt (note 8)	-	3,580,000
	<u>3,955,011</u>	<u>4,857,452</u>
<b>Lease liability</b>	<u>114,499</u>	<u>72,574</u>
	<u>4,069,510</u>	<u>4,930,026</u>
<b>Shareholders' Equity</b>		
Share capital	29,699,888	29,345,454
Stock options	1,905,610	1,555,408
Warrants	823,226	5,008,023
Contributed surplus	8,089,880	3,764,921
Deficit	<u>(27,358,118)</u>	<u>(25,426,354)</u>
	<u>13,160,486</u>	<u>14,247,452</u>
	<u>17,229,996</u>	<u>19,177,478</u>
<b>Material uncertainty related to going concern (note 1)</b>		

### Approved by the Board of Directors

(s) Luc Grégoire, Director

(s) David Baker, Director

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

# Devonian Health Group Inc.

## Consolidated Statements of Net Loss and Comprehensive Loss

For the three-and six-month periods ended January 31, 2024 and 2023

(Unaudited)

	For the three-month periods ended January 31		For the six-month periods ended January 31,	
	2024 \$	2023 \$	2024 \$	2023 \$
<b>Distribution revenues</b>	2,277,170	452,767	3,549,690	863,120
<b>Operating expenses</b>				
Cost of sales	1,502,016	322,991	2,258,481	586,609
Research and development expenses	301,513	335,613	669,444	674,683
Administrative expenses	1,616,461	785,157	2,405,335	1,692,474
Financial expenses (note 12)	67,382	62,784	148,194	159,588
	3,487,372	1,506,545	5,481,454	3,113,354
<b>Net loss and comprehensive loss</b>	<b>(1,210,202)</b>	<b>(1,053,778)</b>	<b>(1,931,764)</b>	<b>(2,250,234)</b>
<b>Net loss per share (note 13)</b>				
Basic	(0.01)	(0.01)	(0.01)	(0.02)
Diluted	(0.01)	(0.01)	(0.01)	(0.02)

**Additional information to the interim consolidated statements of net loss and comprehensive loss** (notes 1, 3 and 12)

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

# Devonian Health Group Inc.

## Consolidated Statements of Changes in Equity

For the six-month periods ended January 31, 2024 and 2023

(Unaudited)

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital \$	Stock options \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
For the six-month period ended January 31, 2023										
<b>Balance as at July 31, 2022</b>	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	127,839	-	-	127,839	55,496	-	-	-	-	55,496
Stock-based compensation	-	2,125,000	-	2,125,000	-	305,750	-	-	-	305,750
Options exercised	50,000	(50,000)	-	-	9,300	(3,300)	-	-	-	6,000
Issuance of warrants	-	-	127,839	127,839	-	-	29,914	-	-	29,914
Warrants exercised	5,050,002	-	(5,050,002)	-	930,643	-	(173,143)	-	-	757,500
Net loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,250,234)	(2,250,234)
	5,227,841	2,075,000	(4,992,163)	2,380,678	995,439	302,450	(143,229)	-	(2,250,234)	(1,095,574)
<b>Balance as at January 31, 2023</b>	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
For the six-month period ended January 31, 2024										
Balance as at July 31, 2023	144,457,805	10,725,000	45,570,160	200,752,965	29,345,454	1,555,408	5,008,023	3,764,921	(25,426,354)	14,247,452
Issuance of shares (note 9)	2,272,727	-	-	2,272,727	359,838	-	-	-	-	359,838
Share issuance costs: In cash	-	-	-	-	(5,404)	-	-	-	-	(5,404)
Stock-based compensation (note 10)	-	3,765,610	-	3,765,610	-	350,202	-	-	-	350,202
Issuance of warrants (note 11)	-	-	2,272,727	2,272,727	-	-	140,162	-	-	140,162
Warrants expired (note 11)	-	-	(35,974,009)	(35,974,009)	-	-	(4,324,959)	4,324,959	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,931,764)	(1,931,764)
	2,272,727	3,765,610	(33,701,282)	(27,662,945)	354,434	350,202	(4,184,797)	4,324,959	(1,931,764)	(1,086,966)
<b>Balance, as at January 31, 2024</b>	146,730,532	14,490,610	11,868,878	173,090,020	29,699,888	1,905,610	823,226	8,089,880	(27,358,118)	13,160,486

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

# Devonian Health Group Inc.

## Consolidated Statements of Cash Flows

For the six-month periods ended January 31, 2024 and 2023

(Unaudited)

	January 31 2024 \$	January 31 2023 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Net loss	(1,931,764)	(2,250,234)
Items not affecting cash:		
Amortization of property, plant, equipment, and right-of-use asset	149,376	140,968
Amortization of intangible assets	64,124	73,109
Amortization of discount on convertible debentures, net of settlement of original issue discount	-	(352,779)
Others	-	5,406
Stock-based compensation	350,202	305,750
	<u>(1,368,062)</u>	<u>(2,077,780)</u>
Net change in non-cash working capital items (note 14)	415,386	(225,357)
	<u>(952,676)</u>	<u>(2,303,137)</u>
<b>Investing activities</b>		
Maturity of guaranteed investment certificates	-	5,000,000
<b>Financing activities</b>		
Principal payments on lease liability	(20,772)	(5,890)
Repayment of long- term debts	(3,580,000)	
Maturity of convertible debentures	-	(297,387)
Warrants exercised	-	757,500
Options exercised	-	6,000
Issuance of shares and warrants	494,596	-
	<u>(3,106,176)</u>	<u>460,223</u>
<b>Increase (decrease) in cash</b>	(4,058,852)	3,157,086
<b>Cash and cash equivalents– Beginning of period</b>	<u>5,062,936</u>	<u>2,805,191</u>
<b>Cash and cash equivalents– End of period</b>	<u>1,004,084</u>	<u>5,962,277</u>

For the period ended January 31, 2024, cash flow from operating activities includes interest paid of \$215,178 (2023 - \$206,721), and no amount for the discount portion on convertible debentures (2023-\$697,000 of which \$399,613 for the discount portion of the convertible debentures).

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

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

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(Unaudited)

### 1 Statutes of incorporation, nature of activities and material uncertainty related to going concern

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.

These interim condensed consolidated financial statements (the "consolidated 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 accumulated losses of \$27,358,118 since its inception and anticipates that losses will continue for the foreseeable future. The Company's liquidity is limited to its ongoing operations and related activities. Consequently, the Company's ability to continue as a going concern depends also on its ability to source products from pharmaceutical suppliers, its ability to distribute its products and generating positive cash flows, the ability to obtain further financing to complete research and development projects, and to market its developed products. There is no assurance that the Company can achieve all these planned activities.

Management continues to negotiate for further financing (note 15) that could provide further funding to the Company to continue its research and development activities. Based on current cash forecasts the Company has approximately enough cash flow until July 2024. The success of these negotiations is contingent on many factors outside the Company's control and its ability to successfully complete such financing which raises the concern of 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.

### 2 Significant accounting policies

#### Declaration of compliance

The 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 accounting standards, as published by IASB, have been omitted or summarized. These consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended July 31, 2023, and 2022.

These condensed consolidated interim financial statements were adopted by the board of directors on March 26 2024.

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

(Unaudited)

### Significant accounting policies

The consolidated financial statements were based on the significant accounting policies described in the Company's consolidated financial statements for the year ended July 31, 2023.

### 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, revenues 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, 2023, 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.

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

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

	January 31 2024 \$	January 31 2023 \$
Research and development – Amortization of property, plant and equipment and right-of-use asset	149,376	140,968
Cost of sales – Amortization of intangible assets	64,124	73,109
Administrative expenses – Salaries and employer's contributions	574,110	312,324
Administrative expenses – Stock-based compensation	350,202	305,750
Research and development expenses – Salaries and employer's contributions	132,791	217,388

### 4 Accounts receivable

	January 31 2024 \$	July 31 2023 \$
Trade	2,601,267	663,631
Sales taxes	149,644	100,829
Interest receivable	-	101,254
	<u>2,750,911</u>	<u>865,714</u>

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

(Unaudited)

### 5 Prepaid expenses

	January 31 2024 \$	July 31 2023 \$
Prepaid expenses	232,786	49,471
Deposits	132,020	132,020
	<u>364,806</u>	<u>181,491</u>

### 6 Inventories

	January 31 2024 \$	July 31 2023 \$
Raw materials	139,020	139,920
Finished goods	3,037	19,863
	<u>142,057</u>	<u>159,783</u>

### 7 Accounts payable

	January 31 2024 \$	July 31 2023 \$
Suppliers	1,837,566	753,601
Accrued expenses	1,818,502	423,466
Salaries, payroll deductions and contributions	262,576	78,739
	<u>3,918,644</u>	<u>1,255,806</u>

### 8 Long-term debt

	January 31 2024 \$	July 31 2023 \$
Loan, secured by the universality of movable and immovable property, tangible and intangible, present and future of the Company, for a carrying value of \$7,989,289, interest payable monthly at the Toronto Dominion Bank's prime rate plus 6% (13.2%; July 31 2023 – 13.2%), principal repaid at maturity in January 2024	-	3,500,000
Canada Emergency Business Account Loan matured in January 2024	-	80,000
	<u>-</u>	<u>3,580,000</u>



# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

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(Unaudited)

### 9 Share capital

#### Issuance

##### Private Financing

On September 1, 2023, the Company completed a private financing by issuing 2,272,727 units, at a price of \$0.22 per unit for gross proceeds of \$500,000. Each unit consists of one subordinate voting share and one share purchase warrant. Each warrant entitles his holder to acquire one subordinate voting share at a price of \$0.28 for a period of two years following the date of issue. Related costs of \$5,404 for this issue were recorded as a reduction in share capital.

The fair value of the 2,272,727 shares and the 2,272,727 warrants was estimated at \$359,838 and \$ 140,162 respectively, according to the following assumptions:

Risk-free interest rate	5 %
Expected duration	2 years
Expected volatility	94 %
Share price	\$0.22
Expected dividend	Nil

### 10 Stock option plan

On December 1, 2023, the Company granted 3,034,610 stock options to employees as well as 731,000 stock options to a member of the Board of Directors, exercisable immediately at a price of 0.125\$ per subordinate voting share, for a period of 10 years.

The fair value of these options was estimated at \$350,202, based on the black-Sholes valuation model and using the following weighted average assumptions:

Risk-free interest rate	5 %
Expected duration	5 years
Expected volatility	94 %
Share price	\$0.125
Expected dividend	Nil

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

(Unaudited)

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, 2024:

	Number	Weighted average exercise price \$
Outstanding, beginning of the period	10,725,000	0.34
Options granted to directors and consultants	731,000	0.125
Options granted to members of management and employees	3,034,610	0.125
Outstanding, end of year	14,490,610	0.29
Options exercisable, end of year	13,790,610	0.28
Weighted average fair value of the options granted during the period	0.093	0.21

The following table summarizes information about the options outstanding and exercisable as at January 31, 2024:

Exercise price \$	Options outstanding and exercisable		
	Number of options outstanding	Weighted average remaining contractual life	Options exercisable
0.12	751,645	6.92 years	751,645
0.125	3,765,610	9.84 years	3,765,610
0.15	2,658,355	6.49 years	2,658,355
0.20	835,000	9.14 years	835,000
0.21	625,000	6.23 years	625,000
0.34	150,000	8.94 years	150,000
0.40	1,345,000	7.80 years	1,345,000
0.44	150,000	7.65 years	150,000
0.50	2,700,000	8.00 years	2,000,000
0.60	1,510,000	4.44 years	1,510,000

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

(Unaudited)

### 11 Warrants

The following table summarizes information about the Company's warrants and the changes during the six-month period ended January 31, 2024, all of which are exercisable:

	Number	Weighted average exercise price \$
Outstanding, beginning of period	45,570,160	0.37
Issued	2,272,727	0.28
Expired	(35,974,009)	0.50
Outstanding, end of period	11,868,878	0.36

The following table summarizes information about warrants outstanding as at January 31, 2024:

Exercise price \$	Warrants outstanding	
	Number of warrants outstanding	Average remaining contractual life
0.194 to 0.30	11,293,833	0.25 to 1.35 year
0.52 to 0.69	535,046	1.64 to 3.23 years
0.95	39,999	2.63 years

### 12 Financial expenses

Financial expenses are as follows:

	January 31 2024 \$	January 31 2023 \$
Interest expenses and bank charges	3,626	2,988
Interest on long-term debt	215,178	206,721
Interest on lease liability	3,301	1,335
Amortization of discount on convertible debentures	-	16,835
Amortization of discount on Canada Emergency Business Account Loan	-	3,578
Interest on deposit certificate	(73,911)	(72,362)
Interest expenses on convertible debentures	-	493
	148,194	159,588

# Devonian Health Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

January 31, 2024

(Unaudited)

### 13 Net loss per share

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

	January 31 2024	January 31 2023
Weighted average number of shares used to calculate the basic loss per share	146,347,626	132,296,560
Items excluded from the calculation of diluted loss per share:		
Stock options	14,490,610	10,150,000
Warrants	11,868,878	37,748,162

For the six-month periods ended January 31, 2024, and 2023, the impacts of the warrants and stock options were excluded from the calculation of diluted loss per share as they would have an anti-dilutive effect.

### 14 Details of consolidated statements of cash flows

#### Changes in non-cash working capital

The changes in non-cash working capital items for the six-month periods ended January 31, 2024, and 2023 are as follows:

	January 31 2024 \$	January 31 2023 \$
Accounts receivable	(1,885,199)	(99,410)
Inventories	17,725	(75,103)
Prepaid expenses	(183,314)	64,843
Deferred financing cost	(196,662)	-
Accounts payable	2,662,836	(115,687)
	415,386	(225,357)

### 15 Subsequent events

On February 20, the Company granted 3,084,611 stock options to employees of the Corporation, allowing them to acquire Shares at an exercise price of \$0.15 for a period of 10 years in accordance with the terms and conditions of the Stock Option Plan. All the stock options granted are vested immediately.

On February 23, the Company entered into a twelve-month term loan of \$2,160,000 from Fiera Private Debt Inc. The Loan will bear interest, payable monthly, at the National Bank of Canada's prime rate plus 8.80%. The Loan will be secured by the universality of movable and immovable property, tangible and intangible, present, and future of the Company.

# **Devonian Health Group Inc.**

## Notes to Interim Condensed Consolidated Financial Statements

**January 31, 2024**

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(Unaudited)

On February 29, 2024, the Company granted 50,000 stock options to a director of the Company, allowing him to acquire subordinate voting shares of the Company at an exercise price of \$0.21 for a period of ten years, in accordance with the terms and conditions of the Company's stock option plan. All these stock purchase options granted to the director of the Company are exercisable immediately.

On March 13, 2024, the Company closed a private placement, issuing 1,492,000 units at a price of \$0.15 per unit for gross proceeds of \$223,800. Each unit is composed of one subordinate voting share and one warrant exercisable at a price of \$0.20 for a period of 2 years following the issue date.