



DEVONIAN HEALTH GROUP INC.

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

April 30, 2024, and 2023

(Unaudited)

Devonian Health Group Inc.

Consolidated Statements of Financial Position

As at April 30, 2024 and July 31, 2023

(Unaudited)

	April 30, 2024 \$	July 31, 2023 \$
Assets		
Current assets		
Cash	3,508,364	5,062,936
Accounts receivable (note 4)	8,223,504	865,714
Tax credits receivable	75,054	75,054
Inventories (note 6)	204,976	159,783
Prepaid expenses (note 5)	406,005	181,491
Interest reserve	160,000	-
Deferred financing costs	177,771	-
	<u>12,755,674</u>	<u>6,344,978</u>
Property, plant, equipment, and right-of-use assets	2,536,319	2,684,022
Intangible assets	5,410,305	5,505,394
Goodwill	<u>4,643,084</u>	<u>4,643,084</u>
	<u>25,345,382</u>	<u>19,177,478</u>
Liabilities		
Current liabilities		
Accounts payable (note 7)	9,814,829	1,255,806
Current portion of lease liability	37,815	21,646
Current portion of long-term debt (note 8)	<u>2,039,453</u>	<u>3,580,000</u>
	11,892,097	4,857,452
Lease liability	<u>106,254</u>	<u>72,574</u>
	<u>11,998,351</u>	<u>4,930,026</u>
Shareholders' Equity		
Share capital	29,838,321	29,345,454
Stock options	2,037,661	1,555,408
Warrants	898,106	5,008,023
Contributed surplus	8,304,886	3,764,921
Deficit	<u>(27,731,943)</u>	<u>(25,426,354)</u>
	<u>13,347,031</u>	<u>14,247,452</u>
	<u>25,345,382</u>	<u>19,177,478</u>
Material uncertainty related to going concern (note 1)		

Approved by the Board of Directors

(s) Luc Grégoire, Director

(s) André Boulet, 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 nine-month periods ended April 30, 2024 and 2023

(Unaudited)

	For the three-month periods ended April 30,		For the nine-month periods ended April 30,	
	2024 \$	2023 \$	2024 \$	2023 \$
Distribution revenues	5,125,571	406,100	8,675,261	1,269,220
Operating expenses				
Cost of sales	3,873,627	265,446	6,132,109	852,055
Research and development expenses	292,674	470,343	962,118	1,145,026
Administrative expenses	1,243,989	1,107,815	3,649,323	2,800,289
Financial expenses (note 12)	89,106	48,562	237,300	208,150
	5,499,396	1,892,166	10,980,850	5,005,520
Net loss and comprehensive loss	(373,825)	(1,486,066)	(2,305,589)	(3,736,300)
Net loss per share (note 13)				
Basic	(0.002)	(0.01)	(0.02)	(0.03)
Diluted	(0.002)	(0.01)	(0.02)	(0.03)

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 nine-month periods ended April 30, 2024 and 2023

(Unaudited)

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital \$	Stock options \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
For the nine-month period ended April 30, 2023										
Balance as at July 31, 2022	131,138,635	8,075,000	42,670,325	181,883,960	27,572,182	1,113,033	4,737,154	3,676,907	(20,826,747)	16,272,529
Issuance of shares and warrants	221,403	-	221,403	442,806	105,085	-	58,527	-	-	163,612
Stock-based compensation	-	2,125,000	-	2,125,000	-	380,250	-	-	-	380,250
Options expired	-	(200,000)	-	(200,000)	-	(39,200)	-	39,200	-	-
Options exercised	50,000	(50,000)	-	-	9,300	(3,300)	-	-	-	6,000
Warrants exercised	5,050,002	-	(5,050,002)	-	930,643	-	(173,143)	-	-	757,500
Warrants expired	-	-	(269,331)	(269,331)	-	-	(48,814)	48,814	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(3,736,300)	(3,736,300)
	5,321,405	1,875,000	(5,097,930)	2,098,475	1,045,028	337,750	(163,430)	88,014	(3,736,300)	(2,428,938)
Balance as at April 30, 2023	136,460,040	9,950,000	37,572,395	183,982,435	28,617,210	1,450,783	4,573,724	3,764,921	(24,563,047)	13,843,591
For the nine-month period ended April 30, 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 and warrants (note 9 and note 11)	3,764,727	-	3,764,727	7,529,454	508,758	-	215,042	-	-	723,800
Share issuance costs:										
In cash	-	-	-	-	(15,891)	-	-	-	-	(15,891)
Stock-based compensation (note 10)	-	6,900,221	-	6,900,221	-	697,259	-	-	-	697,259
Stock options expired (note 10)	-	(1,537,500)	-	(1,537,500)	-	(215,006)	-	215,006	-	-
Warrants expired (note 11)	-	-	(35,974,009)	(35,974,009)	-	-	(4,324,959)	4,324,959	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,305,589)	(2,305,589)
	3,764,727	5,362,721	(32,209,282)	(23,081,834)	492,867	482,253	(4,109,917)	4,539,965	(2,305,589)	(900,421)
Balance, as at April 30, 2024	148,222,532	16,087,721	13,360,878	177,671,131	29,838,321	2,037,661	898,106	8,304,886	(27,731,943)	13,347,031

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 nine-month periods ended April 30, 2024 and 2023

(Unaudited)

	April 30 2024 \$	April 30 2023 \$
Cash flows from		
Operating activities		
Net loss	(2,305,589)	(3,736,300)
Items not affecting cash:		
Amortization of property, plant, equipment, and right-of-use asset	225,126	214,356
Amortization of intangible assets	95,088	104,408
Amortization of discount on convertible debentures, net of settlement of original issue discount	-	(352,779)
Others	-	6,818
Stock-based compensation	697,259	380,250
	<u>(1,288,116)</u>	<u>(3,383,247)</u>
Net change in non-cash working capital items (note 14)	593,752	252,603
	<u>(694,364)</u>	<u>(3,130,644)</u>
Investing activities		
Maturity of guaranteed investment certificates	-	5,000,000
Financing activities		
Principal payments on lease liability	(27,570)	(12,323)
Repayment of long-term debts	(3,580,000)	-
Long-term debt	2,039,453	-
Maturity of convertible debentures	-	(297,387)
Warrants exercised	-	757,500
Options exercised	-	6,000
Issuance of shares and warrants	707,909	-
	<u>(860,208)</u>	<u>453,790</u>
Increase (decrease) in cash	(1,554,572)	2,323,146
Cash and cash equivalents– Beginning of period	<u>5,062,936</u>	<u>2,805,191</u>
Cash and cash equivalents– End of period	<u>3,508,364</u>	<u>5,128,337</u>

For the period ended April 30, 2024, cash flow from operating activities includes interest paid of \$275,776 (2023 - \$315,106), 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

April 30, 2024

(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 on 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 \$27,731,943 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 further financing and different agreements that could generate positive cash flows, and which could allow the Company to continue its most important research and development activities. The success of these negotiations depends on numerous factors beyond the control of the Company and its ability to successfully complete such financing and agreements is tinged with significant uncertainty likely to cast significant doubt on its 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 June 20, 2024.

Devonian Health Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

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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:

	April 30 2024 \$	April 30 2023 \$
Research and development – Amortization of property, plant and equipment and right-of-use asset	225,126	199,608
Cost of sales – Amortization of intangible assets	95,088	104,409
Administrative expenses – Salaries and employer's contributions	868,551	462,118
Administrative expenses – Stock-based compensation	697,259	380,250
Research and development expenses – Salaries and employer's contributions	201,199	329,780

4 Accounts receivable

	April 30 2024 \$	July 31 2023 \$
Trade	8,118,081	663,631
Sales taxes	105,423	100,829
Interest receivable	-	101,254
	<u>8,223,504</u>	<u>865,714</u>

Devonian Health Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

April 30, 2024

(Unaudited)

5 Prepaid expenses

	April 30 2024 \$	July 31 2023 \$
Prepaid expenses	273,985	49,471
Deposits	132,020	132,020
	<u>406,005</u>	<u>181,491</u>

6 Inventories

	April 30 2024 \$	July 31 2023 \$
Raw materials	139,020	139,920
Finished goods	65,956	19,863
	<u>204,976</u>	<u>159,783</u>

7 Accounts payable

	April 30 2024 \$	July 31 2023 \$
Suppliers	3,699,575	753,601
Accrued expenses	5,980,220	423,466
Salaries, payroll deductions and contributions	135,034	78,739
	<u>9,814,829</u>	<u>1,255,806</u>

8 Long-term debt

	April 30 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
Loan, secured by the universality of movable and immovable property, tangible and intangible, present and future of the Company, for a carrying value of \$7,946,624, interest payable monthly at the National Bank of Canada's prime rate plus 8,8% (16%; April 30,2024) principal repayable at maturity in February 2025	2,160,000	-
Financing costs	(120,547)	-
Canada Emergency Business Account Loan matured in January 2024	-	80,000
	<u>2,039,453</u>	<u>3,580,000</u>

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9 Share capital

Issuance

Private Financing

On March 13, 2024, the Company closed a private placement, by 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 date of issue. Related costs of \$10,487 for this issue were recorded as a reduction in share capital.

The fair value of the 1,492,000 shares issued and the 1,492,000 warrants issued was estimated at \$148,920 and \$74,880 respectively, according to the Black-Scholes valuation model and using the following assumptions:

Risk-free interest rate	5 %
Expected duration	2 years
Expected volatility	94 %
Share price	\$0.20
Expected dividend	Nil

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.

On February 20, 2024, the Company granted 3,084,611 stock options to an officer and employees of the Company, allowing them to acquire subordinate voting shares at an exercise price of \$0.15.

On February 29, 2024, 50,000 stock options were granted to a director of the Company, allowing him to acquire subordinate voting shares of the Company at an exercise price of \$0.21.

All of these stock options granted are immediately exercisable over a period of 10 years, in accordance with the terms and conditions of the Company's stock option plan.

The fair value of these options was estimated at \$697,259, based on the black-Sholes valuation model and using the following weighted average assumptions:

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Risk-free interest rate	3.4% to 5 %
Expected duration	5 years
Expected volatility	94 %
Share price	\$0.125 to \$.21
Expected dividend	Nil

The following table summarizes the situation of the Company's stock option plan and the changes incurred during the nine-month period ended April 30, 2024:

	Number	Weighted average exercise price \$
Outstanding, beginning of the period	10,725,000	0.34
Options granted to directors and consultants	781,000	0.13
Options expired	(1,537,500)	0.31
Options granted to members of management and employees	6,119,221	0.14
Outstanding, end of year	16,087,721	0.26
Options exercisable, end of year	15,387,721	0.28
Weighted average fair value of the options granted during the period		0.10

The following table summarizes information about the options outstanding and exercisable as at April 30, 2024:

Exercise price \$	Options outstanding and exercisable		
	Number of options outstanding	Weighted average remaining contractual life	Options exercisable
0.12	751,645	6.67 years	751,645
0.125	3,765,610	9.59 years	3,765,610
0.15	4,972,966	8.46 years	4,972,966
0.20	835,000	8.88 years	835,000
0.21	675,000	6.26 years	625,000
0.34	50,000	8.69 years	150,000
0.40	1,127,000	7.56 years	1,127,500
0.44	150,000	7.65 years	150,000
0.50	2,700,000	7.65 years	2,000,000
0.60	1,210,000	4.19 years	1,510,000

Devonian Health Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

11 Warrants

The following table summarizes information about the Company's warrants and the changes during the nine-month period ended April 30, 2024, all of which are exercisable:

	Number	Weighted average exercise price \$
Outstanding, beginning of period	45,570,160	0.37
Issued	3,764,727	0.25
Expired	(35,974,009)	0.50
Outstanding, end of period	<u>13,360,878</u>	<u>0.24</u>

The following table summarizes information about warrants outstanding as at April 30, 2024:

Exercise price \$	Warrants outstanding	
	Number of warrants outstanding	Average remaining contractual life
0.194 to 0.30	12,785,833	0.01 to 1.87 year
0.52 to 0.69	535,046	1.39 to 2.98 years
0.95	39,999	2.38 years

12 Financial expenses

Financial expenses are as follows:

	April 30 2024 \$	April 30 2023 \$
Interest expenses and bank charges	6,435	3,610
Interest on long-term debt	275,776	315,106
Interest on lease liability	4,891	2,747
Amortization of discount on convertible debentures	-	16,835
Amortization of discount on Canada Emergency Business Account Loan	-	3,578
Amortization of deferred financing costs	24,109	
Interest on deposit certificate	(73,911)	(134,219)
Interest expenses on convertible debentures	-	493
	<u>237,300</u>	<u>208,150</u>

Devonian Health Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

April 30, 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:

	April 30 2024	April 30 2023
Weighted average number of shares used to calculate the basic loss per share	146,734,785	131,625,338
Items excluded from the calculation of diluted loss per share:		
Stock options	14,490,610	9,950,000
Warrants	16,087,721	37,572,395

For the nine-month periods ended April 30, 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 nine-month periods ended April 30, 2024, and 2023 are as follows:

	April 30 2024 \$	April 30 2023 \$
Accounts receivable	(7,357,792)	(101,181)
Inventories	(45,193)	(47,661)
Prepaid expenses	(224,515)	72,943
Deferred financing cost	(177,771)	-
Interest reserve	(160,000)	-
Accounts payable	8,559,023	328,502
	593,752	252,603