Q1-2025
MANAGEMENT'S DISCUSSION AND ANALYSIS – FOR THE QUARTER ENDED OCTOBER 31, 2024.

INTRODUCTION

This Management's Discussion and Analysis provides the reader with an overview of the business and financial position of Devonian Health Group Inc. ("the Company") as at October 31, 2024. It also provides an overview of the Corporation's performance by comparing its operating results on a consolidated basis, for the three-month period ended October 31, 2024, with those for the corresponding period of the fiscal year ending July 31, 2024.
Unless otherwise indicated or as the context requires, references in this MD&A to "Devonian", the "Company", "we", "us", "our" or other similar terms refer to Devonian Health Group Inc. and its subsidiary, on a consolidated basis. This Management's Discussion and Analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended July 31, 2024 and July 31, 2023. The financial information in this MD&A has been prepared by Management in accordance with International Financial Reporting Standards (IFRS), based on information available to Management as at December 17, 2024. All amounts presented in this document are expressed in Canadian dollars.

1. FORWARD-LOOKING STATEMENTS

The information presented in this MD&A, as well as the discussion and analysis of results of operations and financial condition, may contain statements regarding future results of operations. Certain forward-looking statements made by management, relating to the results of research studies and with respect to the Company's objectives and expectations, may be affected by various risks and uncertainties and as a result, cause actual results to differ from those anticipated. The assumptions underlying management's forward-looking statements are based on information currently available to management.

2. COMPANY PROFILE

Devonian Health Group is a clinical stage pharmaceutical company specializing in the development of drugs for various auto-immune inflammatory conditions. The Company was incorporated on March 27, 2015, under the Quebec 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. is a wholly owned subsidiary of Devonian Health Group Inc.

The flagship product of the Company, the Thykamine™, shows immunomodulatory, antioxidant and anti-inflammatory properties. It is the first product of a complex of active ingredients, extracted from spinach using the Supra Molecular Complex Extraction and Stabilization Technology (SUPREX™).
The Company has a pharmaceutical complex in Montmagny and will be able to carry out all its extraction activities there, once the scaling process is completed. 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™ has earned the designation of being the first

product distributed by dermatologists to be recognized by the Skin Health Program™ of the Canadian Dermatology Association (CDA). 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

The Company owns all the outstanding shares of Altius Healthcare Inc., a licensed generic pharmaceutical distribution company primarily engaged in the acquisition and licensing of safe and innovative medicines and healthcare products, designed to help people of all ages lead healthier lives. Altius then leverages its expertise in the commercialization activities required to successfully launch and distribute these drugs in Canada.

Altius' current portfolio includes three pharmaceutical drugs: Dexlansoprazole, 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.

Dexlansoprazole also belongs to a class of drugs called proton pump inhibitors. It comes in capsule form and is available in two strengths: 30 milligrams (“mg”) and 60 mg. Dexlansoprazole is approved for use in adults and children ages 12 and older.

Altius’ 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 Devonian to better fund its research activities and create value for its shareholders.

3. SUMMARY FOR THE QUARTER ENDED OCTOBER 31, 2024

ALTIUS DISTRIBUTION REVENUES AND OPERATING CASH FLOW

Liquidity continued to improve in the first quarter ended October 31, 2024, as the Company generated $2,592,484 in operating cash flow arising from Altius revenues of $5,612,933, which were mainly driven by the market uptake of the Company’s authorized generic of Dexlansoprazole, which was launched in January 2024. Altius' management is currently exploring potential new business opportunities to expand its portfolio and generate new revenues. However, there can be no assurance that this exercise will bear fruit and that the company will succeed in acquiring new distribution licenses.

RESEARCH AND DEVELOPMENT

i) Pediatric Atopic Dermatitis (AD)

Following the positive results of its phase 2 study on atopic dermatitis in the adult population, the Company intends to carry out a clinical study on Atopic Dermatitis (AD) in the pediatric population.

The Company continued the preparation of this study, with the help of its service providers, for the management of the clinical study and the manufacturing of the clinical supplyes.

The Company continues to track the production of clinical study creams within a leading global development and manufacturing organization, which provides drug substances, drug products and analytical services all throughout the life cycle of medicines. The manufacturing processes were successfully transferred, allowing the production of Thykamine's cream.

The Company also drafted 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 Atopic Dermatitis program.
An approval process from regulatory agencies is planned during the next fiscal year to allow the studies to begin.

Depending on the financing available, and the current cash generated through its subsidiary, the Company believes it will be able to begin the clinical study in 2025. As the estimated costs to conduct such a clinical study are estimated at approximately $9 million over a duration of 18 to 24 months, excluding general and administrative costs, the Company will likely need to raise additional funds to help ensure successful completion.

Finally, the Company has drawn up 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 pediatric atopic dermatitis. This study should demonstrate the mechanisms of action of Thykamine™ in the skin. The Corporation expects to initiate this study once more than half of the Phase 2/3 clinical study`s patients have been enrolled. Data using the patches will be collected on patients recruited for the second half of the study.

About Pediatric 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 which can lead to secondary infection. The condition usually begins during childhood with changing severity over the years. Although the cause of AD is unknown, we believe it involves genetics, a weakened immune system, and can 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, with an overall potential market estimated at over US$25 billion.[1]

Atopic Dermatitis often occurs in the early years of life. Studies have shown that 45% of affected children had the condition before 6 months of age, 60% before 1 year of age, and up to 85% before 5 years of age. The onset of allergic disease begins in infancy with atopic dermatitis and food allergy and often develops into allergic asthma and allergic rhinitis in childhood; the process sequence is defined as "atopic march''.[2,3,4]

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[1] Global Atopic Dermatitis Market, Market Data Forecast, June 2022

[2] N Maiello, P Comberiati, A Giannetti, et al. New Directions in Understanding Atopic March Starting from Atopic Dermatitis. Children, 9, 450, 2022.

[3] L Yang, J Fu and Y Zhou. Research Progress in Atopic March. Frontiers in Immunology, Vol 11, article 1907, 2020.

[4] M Tsuge, M Ikeda, N Matsumoto et al. Current Insights into Atopic March. Children, 8, 1067, 2021.

The atopic march is classically associated to concomitant comorbidities. Potential comorbidities include food allergies, asthma, rhinoconjunctivitis, eyelid dermatitis, blepharitis, atopic keratoconjunctivitis, keratoconus, cataract and glaucoma (either primary atopic dermatitis or secondary to topical and systemic corticosteroids) [5]. Its pathogenesis is a complex interplay involving impaired skin barrier function, immune dysregulation primarily involving the inflammatory pathway. Restoration of skin barrier integrity and topical anti- inflammatory therapies are mainstays of treatment to treat AD and stop the atopic march.

Corticosteroids, phosphodiesterase inhibitors (e.g. Pimecrolimus and Roflumilast) and topical calcineurin inhibitors (TCIs, such as Crisaborole) are pharmaceutical products available to treat mild-to-moderate Atopic Dermatitis in children [6].

Pimecrolimus is FDA-approved for adults and children 2 years of age and older with mild to moderate atopic dermatitis. The product can be used for extended periods of time to control symptoms and reduce flares. Common side effects include mild burning or stinging sensation when the medication is first applied to the skin.

Crisaborole is for children with mild to moderate atopic dermatitis ages 3 months and up. In clinical trials, the most common side effect is application site pain, such as burning or stinging.

Roflumilast is available for children with mild to moderate atopic dermatitis ages 6 years and older. In Phase 3 clinical trials, the most common side effects were headache (2.9%), application site pain (1.5%), diarrhea (1.5%) and vomiting (1.5%).

One class of prescribed medication for all types of eczema is topical corticosteroids, as with any medication, there can be side effects to using topical steroids. The risk of side effects is related to the potency of the steroid, location and duration of use. Many of the potential side effects will resolve after stopping use of topical steroids.

The common side effects include thinning of the skin (atrophy), stretch marks (striae), Spider veins (telangiectasia), Perioral dermatitis (around the mouth), Acne or rosacea-like rashes.

Rare side effects may include Hypothalamic-pituitary-adrenal axis suppression, Growth retardation in young children, Glaucoma (damage to the eye's optic nerve), Cataracts (clouding of the eye lens).

Corticosteroids, including topical corticosteroids, are associated with a potentially serious condition called Topical Steroid Withdrawal (TSW). TSW is thought to be rare but can be debilitating for some patients.

In its phase 2 clinical trial in adult suffering of mild-to-moderate Atopic Dermatitis, Devonian's flagship product Thykamine presented an extremely favorable side effect profile comparable to placebo with an efficacy comparable to other therapeutics [7].

Devonian's management believes that Thykamine's safety profile associated with an enviable efficacy is very well positioned to become a first-choice pharmaceutical product for the treatment of mild to moderate atopic dermatitis.

ii) Thykamine™ mechanism of action

A study on the mechanism of action of Thykamine™ demonstrated that Thykamine™ can act at all phases of healing.

[5] M SY Goh, SW Yun and J C Su. Management of atopic dermatitis: a narrative review. Med J Aust; 216 (11): 587-593, 2022.

[6] National Eczema Association, https://nationaleczema.org/, 2024

[7] C Lynde, Y Poulin, J Tan, et al. Phase 2 rial of Topical Thykamine in Adults with Mild to Moderate Atopic Dermatitis. J Drugs in Dermatology, 21 (10), 1091-1097, 2022.

In November 2023, the Company filed a Cooperative Treaty ("PCT") patent application for Thykamine™ in wound healing. On May 10, 2024, the Company received notification of publication of the patent from the World International Property Organization (WIPO/PCT). The filing of this application gives the Company the possibility of requesting patent protection from 157 contracting states with PCT.

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 with 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 would 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 HFS associated with chemotherapy.

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

Depending on available funding, the Company estimates it could start the clinical study in 2025. The estimated costs to conduct such a clinical study are estimated at approximately $5 million, excluding general and administrative expenses. To undertake this study the Company will need to raise additional funds. However, the necessary fundraising cannot be guaranteed.

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 currently 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 version was drafted taking into account the comments received. The protocol will evaluate the effectiveness of PUR 0110 (Thykamine™) cream 0.1% 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.

Depending on available funding, the Company estimates that it could start the clinical study in 2025. As the estimated costs to conduct such a clinical study are estimated at approximately $5 million, excluding general and administrative expenses, the Company will need to raise additional funds. However, the necessary fundraising cannot be guaranteed.

C) FINANCING

On October 8, 2024, the Board of Directors approved the grant of 3,298,611 stock options of the Company at an exercise price of $0.16 for a period of 10 years from the date of grant and in accordance with the terms and conditions of the Company's stock option plan. These options granted to members of management are exercisable on their date of grant.

Management is currently in discussions with various potential financial partners to support the above-mentioned clinical studies. However, there can be no assurance that these discussions will lead to the funding needed to support these studies.

D) OTHERS

On October 10, 2024, the Company amended its articles of amalgamation by creating a new class of shares, i.e. an unlimited number of ordinary shares which carries one vote per share. Each issued and outstanding Subordinate Voting Share has been converted into a Common Share and after giving effect to the foregoing change, the following classes of shares of the Company and the rights, privileges, restrictions and conditions therein related have been repealed:

i. an unlimited number of shares with multiple voting rights in the Company;
ii. an unlimited number of shares with exchangeable voting rights in the Company; And
iii. an unlimited number of Subordinate Voting Shares of the Company.

All share incentive plans of the Company will cover the Ordinary Shares on the date of the Reclassification.

4. KEY FINANCIAL INFORMATION

	Three-month period ended October 31, 2024	Three-month period ended October 31, 2023
	$	$
Revenues	5,850,933	1,272,520
Operating expenses		
Research and development expenses	494,131	367,931
Cost of sales	4,144,574	756,465
Admnistratives expenses	1,536,376	788,874
Financial epenses	37,518	80,812
Net loss and comprehension loss	(361,666)	(721,562)
Net loss per share	(0,002)	(0,005)

NET LOSS

For the first quarter ended October 31, 2024, net loss amounted to $361,666 ($0.002 per share) compared to a net loss of $721,562 ($0.005 per share) for the corresponding quarter last fiscal year. This decrease in net loss compared to the first quarter

of fiscal 2024 is mainly attributable to an increase in distribution revenues, partially offset by an increase in administrative expenses and expenses related to research and development activities.

REVENUES

For the first quarter of 2025, net distribution revenue of $5,850,933 was recorded. These revenues come from the sales of Dexlansoprazole, Pantoprazole Magnesium and Cleo-35, through the subsidiary Altius Healthcare. For the same corresponding period in 2024, revenues of $1,272,520 were recorded from the sale of two products, Cleo-35 and Pantoprazole Magnesium. This significant increase in revenues is mainly attributable to the sales of Dexlansoprazole, which was launched at the end of January 2024 and has been very successful in the market, helping to improve the Company's liquidity. Altius' management is currently exploring potential new business opportunities to expand its portfolio and generate new revenues. However, there can be no assurance that this exercise will bear fruit and that the company will succeed in acquiring new distribution licences.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the quarter ended October 31, 2024, amounted to $494,131, a 34% increase compared to $367,931 for the first quarter of 2024. Of these costs, $195,449 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 material. Fees of $86,834 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 potential applications of Thykamine™.

These Research and Development expenses also include patent maintenance costs totalling $4,988, a payroll of employees assigned to this sector for an amount of $129,330 and $77,530 attributable to the amortization of tangible assets at the Montmagny extraction centre.

Management estimates that additional costs of nearly $9 million will be required to complete the clinical study of pediatric Atopic Dematitis, excluding administrative burdens. The company does not currently have the necessary funds to complete such a study and will therefore have to raise funds from external sources in order to conduct it. There can be no assurance that these funds will be raised.

COST OF SALES

Cost of goods sold amounted to $4,144,574 for the first quarter ended October 31, 2024, consisting of acquisition, distribution, royalties and direct charges attributable to the three products sold by our subsidiary Altius Healthcare, as well as an amortization charge of $11,615 on intangible assets. For the corresponding quarter of 2024, these costs totaled $756,465 and were attributable to the two products sold by Altius, Cleo-35 and Pantoprazole magnesium, with an amortization expense of $33,159.

This significant increase is justified by the significant growth in sales volume, particularly the Dexlansoprazole.

OPERATING EXPENSES

General administration expenses

The allocation of costs related to overhead is as follows:

	Three-month period ended October 31, 2024	Three-month period ended October 31, 2023
	$	$
Salaries	416,283	217,051
Stock based compensation	395,330	-
Professional fees	264,336	241,876
Property taxes	31,633	31,063
Otrhers	428,291	298,884
	1,536,376	788,874

For the quarter ended October 31, 2024, general administrative expenses amounted to $1,536,376 compared to $788,874 for the same quarter of 2024. This increase compared to the same quarter of 2024 is mainly due to higher payroll expenses and stock-based compensation charge.

The increase in salary expenses totaling $416,283 for the first quarter of 2025, compared to $217,051 for the same period last fiscal year, is mainly due to the hiring of new employees since December 2023, and salary increases granted to members of management after the first quarter of 2024.

The stock-based compensation expense of $395,833 (a non-cash expense) is attributable to the 3,298,611 stock options granted on October 8 to members of management in accordance with the terms of the stock option plan. In the same period of the 2024 financial year, no stock-based compensation expense was granted.

Professional fees totaling $264,336 for the first quarter of the current fiscal year and are mainly related to fees for the audit of the Company's consolidated financial statements, as well as legal fees related to the Company's various development projects and corporate affairs. Fees of $241,876 were incurred in the same period of the previous year for similar activities.

Other expenses were $428,291 for the first quarter compared to $298,884 for the same quarter of 2024. These other expenses are attributable to the operating costs of Altius and the Montmagny site, travel expenses, consulting fees, insurance premiums, as well as expenses related to the Company's securities on the stock exchange. The increase in these other costs, compared to the same period in 2024, is mainly due to maintenance work at the Montmagny extraction site, as well as an increase in insurance premiums.

FINANCIAL EXPENSES

Net financial expenses amounted to $37,518 for the period ended October 31, 2024, compared to $80,812 for the same period last fiscal year. For each of these two quarters compared, financial expenses are mainly attributable to interest expenses on term loans, partially offset by revenues generated on term deposit certificates.

7. QUARTERLY INFORMATION

	For the three-month periods ended								
	October 31, 2024	July 31, 2024	April 30, 2024	January 31, 2024	October 31, 2023	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022
	$	$	$	$	$	$	$	$	$
Revenue	5,850,933	9,140,248	5,125,571	2,277,170	1,272,520	1,076,169	406,100	452 ,767	410,353
Net gain (loss)	(361,666)	1,080,953	(373,825)	(1,210,202)	(721,562)	(863,307)	(1,486,066)	(1,053,778)	(1,196,456)
Basic earnings (loss) per share	(0,002)	0,007	(0,002)	(0,01)	(0,005)	(0,01)	(0,01)	(0,008)	(0,009)
Diluted earnings (loss) per share	(0,002)	0,007	(0,002)	(0,01)	(0,005)	(0,01)	(0,01)	(0,008)	(0,009)

8. FINANCIAL SITUATION

Liquidity and capital resources

As at October 31, 2024, the Company had cash and cash equivalents totaling $12,454,995 compared to $9,862,511 as at July 31, 2024. For the first quarter of 2025, the net increase in cash of $2,592,484 was mainly due to funds generated from operating activities. The Company believes that it will be able to adequately fund its operations, maintain positive working capital and meet its cash requirements over the next 12 months.

Total assets as of October 31, 2024, amounted to $33,340,116 compared to $30,733,450 as at July 31, 2024. This increase is mainly due to the increase in cash and accounts receivable.

Total liabilities as of October 31, 2024, amounted to $18,843,765 compared to $16,271,266 as at July 31, 2024, an increase mainly due to operating debts, and related to its distribution activities.

Financing activities

Historically, the Company financed its activities through private placements of common shares and subscription rights as well as the issuance of convertible debentures and operating income generated by its subsidiary. The recent launch of Dexlansoprazole, has generated an increased proportion of the Company's liquidity from its operating cash flows.

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 maintain the performance of its distribution activities and, in order to support its contemplated larger clinical studies, as well as to realize other types of financing.

9. OUTSTANDING SHARE DATA

As at December 17, 2024, the number of issued and outstanding shares was 148,222,532 while the number of outstanding stock options granted under the stock option plan was 19,886,332, of which 18,986,332 are exercisable. These options are exercisable at a price ranging from $0.12 to $0.60. The Company also had 12,739,868 warrants, entitling holders to subscribe for one subordinate voting share of the Company at a price ranging from $0.19 to $0.95 per share.

10. 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 three-month period, ended October 31, 2024 mainly resulted in sales.

Currency risk

During the first quarter of 2025, the Company made few transactions in foreign currencies and of low value. Management will evaluate options to deal with future fluctuations in the Canadian dollar against the U.S. dollar in the event that the value of foreign currency transactions is material. Financial expenses as well as general administrative expenses could be influenced by these financial instruments.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to the risk of interest rate fluctuations in respect of its debt with Fiera Private Debt, which bears interest at a floating rate. Based on the net exposures presented above as at October 31, 2024, 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 $5,400 in the Company's net loss for the full year.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulty meeting commitments related to financial liabilities. As at October 31, 2024, the Company had current liabilities of $19,67,621. The Corporation's operating and capital expenditure budgets and significant transactions outside the normal scope of its operations are reviewed and approved by the Board of Directors. The Company invests its available cash in highly liquid fixed income securities. The Company monitors its liquidity, which allows it to seek additional liquidity in a timely manner.

Risk of economic dependence (Altius)

Altius Healthcare Inc.'s (Altius) revenues are currently derived from the sale of three products: Cleo-35, Pantoprazole Magnesium and Dexlansoprazole. In the first quarter of 2025, Altius made 40% of its revenue from one customer and 99% of its purchases came from a single supplier. Altius sources from third parties and cannot ensure the manufacture and delivery of these drugs, despite forecasting reports provided to them.

A disruption in the supply of any of these three products would have a negative impact on the company's revenues. In order to reduce the associated economic risk, the Company's strategy is to acquire marketing rights for other pharmaceutical products.

The Company relies heavily on a number of key leaders 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 industry-specific risks and uncertainties that could impact its business, financial condition and results of operations. The results of clinical trials may not support the hypotheses considered.
Carrying out clinical trials requires the recruitment of patients and difficulties in recruiting patients could delay the conduct of our clinical trials or result in them not being carried out.

The Company is a pharmaceutical company in the clinical trial phase and may need to obtain additional guidance with respect to its current therapeutic products or may need to obtain additional regulatory approvals or more rigorous reviews. It must also obtain, maintain and protect its intellectual property portfolio and may be exposed to litigation costs associated with defending patent infringement allegations or against other intellectual property infringement claims. The Company may be required by Health Canada, the FDA or other comparable foreign authorities to carry out other studies in addition to those currently planned by the Company or experience delays in carrying out its clinical trials.

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. meeting our commitments.

Risks related to our stock

Our share prices are volatile, and an investment in our common shares may be subject to a decline in value. Since our listing on the TSX Venture Exchange (TSXV), our valuation and share prices have fluctuated and have not materially affected our financial results, asset value, book value, current or historical book value, or many other criteria based on traditional measures of common share value. The price of our shares will continue to fluctuate, depending on a variety of factors, including the risk factors described herein and other circumstances beyond our control. The value of an investment in our common shares and/or common share purchase warrants could fall or fluctuate significantly.

11. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to use judgment, make estimates and make assumptions that could affect the amounts reported as assets, liabilities and income and expenses. These amounts presented reflect management's best estimate based on overall economic conditions and decisions based on the Company's most likely course of action. Any changes in these assumptions and estimates could have an impact on actual results. Reference should be made to the audited consolidated financial statements for the year ended July 31, 2024 for further details regarding significant accounting policies and estimates for the purposes of evaluating and understanding the Company's financial statements.

12. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The consolidated financial statements have been prepared using the going concern assumption, which assumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. Consequently, these consolidated financial statements do not include any adjustment to reflect the possible impact on the recovery and classification of assets, or on the settlement or classification of liabilities, if the Company were no longer able to continue business as usual of its activities. The Company is engaged in a process of developing botanical medicines and will need to obtain the necessary financing to continue its activities until the commercialization phase of its products. The Company has suffered losses since its incorporation and expects this to continue in the foreseeable future. The Company's liquidity remains limited, considering all ongoing and contemplated projects. Consequently, the Company's ability to continue as a going concern depends on its ability to obtain supplies from its pharmaceutical product suppliers, its ability to distribute its products while generating positive cash flows, to obtain, in a timely manner, additional financing in order to carry out its research and development projects and commercialize the products developed. There can be no assurance about this. Management is continuing negotiations to obtain additional funding and enter into various agreements allowing it to generate the cash flow necessary to carry out all of its anticipated research projects. The success of these negotiations is based on a large number of 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 achieve all his projects.