



## **DEVONIAN HEALTH GROUP INC.**

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

**January 31, 2025, and 2024**

(Unaudited)



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE-MONTH AND SIX-MONTH PERIODS ENDED ON JANUARY 31,  
2025, AND 2024**

Statement concerning the interim consolidated financial statements.

Management has prepared the accompanying interim consolidated financial statements of Devonian Health Group Inc. which include the interim consolidated statement of financial position as at January 31, 2025, and the interim consolidated statement of net loss and comprehensive loss, changes in equity and cash flows for the three-month and six month periods ended January 31, 2025 and 2024. No auditing firm has reviewed or audited these interim consolidated financial statements.

**Devonian Health Group Inc.**  
**Interim Consolidated Statements of Financial Position**  
**As at January 31, 2025 and July 31, 2024**

(Unaudited)

	January 31, 2025 \$	July 31, 2024 \$ (as restated, Note 15)
<b>Assets</b>		
Cash and cash equivalents	8,423,755	9,862,511
Accounts receivable (note 4)	7,473,692	7,965,975
Tax credits receivable	154,210	154,210
Inventories (note 5)	104,021	60,889
Interest reserve	-	160,000
Prepaid expenses	372,738	256,225
	<u>16,528,416</u>	<u>18,459,810</u>
<b>Property, plant, equipment, and right-of-use assets</b>	2,357,947	2,496,091
<b>Intangible assets</b>	5,111,234	5,134,465
<b>Goodwill</b>	4,643,084	4,643,084
	<u>28,640,681</u>	<u>30,733,450</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable (note 6)	13,961,555	13,780,243
Income tax liability	894,252	847,198
Current portion of lease liability	46,142	44,682
Current portion of long-term debt (note 7)	-	2,075,617
	<u>14,901,949</u>	<u>16,747,740</u>
<b>Lease liability</b>	102,338	125,724
	<u>15,004,287</u>	<u>16,873,464</u>
<b>Shareholders' Equity</b>		
Share capital (note 8)	29,838,321	29,838,321
Stock options (note 9)	2,583,441	2,071,861
Warrants (note 10)	841,987	862,261
Contributed surplus	8,460,258	8,340,731
Deficit	(28,087,613)	(27,253,188)
	<u>13,636,394</u>	<u>13,859,986</u>
	<u>28,640,681</u>	<u>30,733,450</u>
<b>Material uncertainty related to going concern (note 1)</b>		

**Approved by the Board of Directors**

(s) Luc Grégoire, Director

(s) André Boulet, Director

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

# Devonian Health Group Inc.

## Interim Consolidated Statements of Net Loss and Comprehensive Loss

For the three-month and six-month periods ended January 31, 2025 and 2024

(Unaudited)

	For the three-month periods January 31		For the six-month periods ended January 31,	
	2025 \$	2024 \$ (as restated, Note 15)	2025 \$	2024 \$ (as restated, Note 15)
<b>Distribution revenues</b>	8,827,629	2,355,080	14,948,410	3,725,143
<b>Operating expenses</b>				
Cost of sales	6,214,669	1,502,016	10,359,243	2,258,481
Research and development expenses	574,720	301,513	1,068,851	669,444
Selling and administrative expenses	1,795,570	1,694,371	3,846,794	2,580,788
Financial expenses (note 11)	33,375	67,382	70,893	148,194
	8,618,334	3,565,282	15,345,781	5,656,907
<b>Net income (loss) and comprehensive income (loss) before income tax</b>	209,295	(1,210,202)	(397,371)	(1,931,764)
Income tax expense	437,054	-	437,054	-
<b>Net loss and comprehensive loss</b>	<b>(227,759)</b>	<b>(1,210,202)</b>	<b>(834,425)</b>	<b>(1,931,764)</b>
<b>Net loss per share (note 13)</b>				
Basic	(0.001)	(0.01)	(0.006)	(0.01)
Diluted	(0.001)	(0.01)	(0.006)	(0.01)

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 consolidated financial statements.

# Devonian Health Group Inc.

## Interim Consolidated Statements of Changes in Equity

For the six-month periods ended January 31, 2025 and 2024

(Unaudited)

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital \$	Stock options \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
<b>For the six-month period ended January 31, 2024</b>										
<b>Balance as at July 31, 2023</b>	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	2,272,727	-	-	2,272,727	359,838	-	-	-	-	359,838
Share issuance costs:										
In cash	-	-	-	-	(5,404)	-	-	-	-	(5,404)
Stock-based compensation	-	3,765,610	-	3,765,610	-	350,202	-	-	-	350,202
Issuance of warrants	-	-	2,272,727	2,272,727	-	-	140,162	-	-	140,162
Warrants expired	-	-	(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	14,90,610	11,868,878	173,090,020	29,699,888	1,905,610	823,226	8,089,880	(27,358,118)	13,160,486
<b>For the six-month period ended January 31, 2025</b>										
Balance as at July 31, 2024 (restated)	148,222,532	16,587,721	12,941,850	177,752,103	29,838,321	2,071,861	862,261	8,340,731	(27,253,188)	13,859,986
Stock-based compensation (note 9)	-	4,834,326	-	3,298,611	-	610,833	-	-	-	610,833
Options Expired	-	(832,500)	-	(832,500)	-	(99,253)	-	99,253	-	-
Warrants expired (note 10)	-	-	(201,982)	(201,982)	-	-	(20,274)	20,274	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	-	-	-	(834,425)	(834,425)
	-	4,001,826	(201,982)	(2,264,629)	-	511,580	(20,274)	119,527	(834,425)	(233,592)
<b>Balance, as at January 31, 2025</b>	148,222,532	20,589,547	12,739,868	180,016,732	29,838,321	2,583,441	841,987	8,460,258	(28,087,613)	13,636,394

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

# Devonian Health Group Inc.

## Interim Consolidated Statements of Cash Flows

For the six-month periods ended January 31, 2025 and 2024

(Unaudited)

	January 31 2025 \$	January 31 2024 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Net loss	(834,425)	(1,931,764)
Items not affecting cash:		
Amortization of property, plant, equipment, and right-of-use asset	155,494	149,376
Amortization of intangible assets	23,230	64,124
Financial fees amortization	84,383	
Stock-based compensation	610,833	350,202
	39,515	(1,368,062)
Net change in non-cash working capital items (note 13)	721,008	415,386
	760,523	(952,676)
<b>Investing activities</b>		
Acquisition of property, plant, and equipment	(17,350)	-
<b>Financing activities</b>		
Principal payments on lease liability	(21,929)	(20,772)
Issuance of shares and warrants	-	494,596
Repayment of long- term debts	(2,160,000)	(3,580,000)
	(2,181,929)	(3,106,176)
<b>Increase (decrease) in cash</b>	(1,438,756)	(4,058,852)
<b>Cash and cash equivalents– Beginning of period</b>	9,862,511	5,062,936
<b>Cash and cash equivalents– End of period</b>	8,423,755	1,004,084

For the period ended January 31, 2025, cash flow from operating activities includes interest paid of \$129,201 (2024 - \$215,178).

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

# Devonian Health Group Inc.

Notes

January 31, 2025

(Unaudited)

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## 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 drugs for auto-immune inflammatory conditions. 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 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 normal course of business. The company is engaged in the development of botanical drugs and will need to obtain necessary financing to continue its operations until the commercialization phase of its products. The Company has incurred losses since its inception and expects this situation to 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 its pharmaceutical suppliers, its ability to distribute its products and generate positive cash flows, its ability to obtain further financing in a timely manner in order to complete research and development projects, and to market its developed products. There is no assurance about that.

Management continues to negotiate for further financing and enter into various agreements that could generate positive cash flows. The Company's ability to successfully complete such financings and agreements is subject to significant 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 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, 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, 2024 and 2023 as restated.

# Devonian Health Group Inc.

## Notes

January 31, 2025

(Unaudited)

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### Significant accounting policies

The interim consolidated financial statements were based on the significant accounting policies described in the Company's consolidated financial statements for the year ended July 31, 2024.

### Use of estimates and judgments

The preparation of interim consolidated 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, 2024, 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 consolidated statements of net loss and comprehensive loss

The interim consolidated statements of net loss and comprehensive loss for the six-month periods include the following items:

	For the six-month periods ended	
	January 31 2025	January 31 2024
	\$	\$
Research and development – Amortization of property, plant and equipment and right-of-use asset	155,494	149,376
Cost of sales – Amortization of intangible assets	23,230	64,124
Administrative expenses – Salaries and employer's contributions	714,514	574,110
Administrative expenses – Stock-based compensation	610,833	350,202
Research and development expenses – Salaries and employer's contributions	284,622	132,791

### 4 Accounts receivable

	January 31 2025	July 31 2024
	\$	\$
Trade	6,914,628	7,686,347
Sales taxes	515,333	279,628
Interest receivable	43,731	-
	<hr/>	<hr/>
	7,473,692	7,965,975



# Devonian Health Group Inc.

## Notes

January 31, 2025

(Unaudited)

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### 5 Inventories

	January 31 2025 \$	July 31 2024 \$
Finished goods	104,021	60,889
	<u>104,021</u>	<u>60,889</u>

### 6 Accounts payable

	January 31 2025 \$	July 31 2024 \$
Suppliers	5,205,220	3,716,003
Accrued expenses	8,723,470	10,049,394
Salaries, payroll deductions and contributions	32,865	14,846
	<u>13,961,555</u>	<u>13,780,243</u>

### 7 Long-term debt

	January 31 2025 \$	July 31 2024 \$
Loan, secured by the universality of movable and immovable property, tangible and intangible, present and future of the Company, for a carrying value of \$7,177,526, interest payable monthly at the National Bank's prime rate plus 8.80% (15.25%) principal repayable at maturity in January 2025	-	2,075,617

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### 8 Share capital

#### Description of authorized share capital

On October 10, 2024, the Company amended its articles of merger 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 one 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.

# Devonian Health Group Inc.

## Notes

January 31, 2025

(Unaudited)

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All of the Company's stock incentive plans will cover the common shares on the date of the reclassification.

An unlimited number of ordinary, participating shares, without par value, carrying a non-cumulative dividend.

	January 31 2025 \$	July 31 2024 \$
<b>Share Capital issued</b>		
148 222 532 ordinary shares (July 2024- 148,222,532 subordinate voting shares)	<u>29,838,321</u>	<u>29,838,321</u>

## 9 Stock option plan

On October 8, 2024, the Company granted 3,298,611 stock options to members of management. These options, exercisable on their grant date, can be exercised at a price of \$0.16, for a period of 10 years from the grant date.

The fair value of these granted options was estimated at \$395,833 based on the Black Scholes valuation model and using the following assumptions:

Risk-free interest rate	4.4 %
Average expected duration	5 years
Expected volatility	95 %
Share price	0.16\$
Expected Dividend	Nil

On December 23, 2024, the Company granted 1,535,715 stock options of the Company at an exercise price of \$0.19 for a period of 10 years from the grant date and in accordance with the terms and conditions of the Company's stock option plan. These options granted to independent directors of the Company are exercisable on their grant date.

The fair value of these granted options was estimated at \$215,000 based on the Black Scholes valuation model and using the following assumptions:

Risk-free interest rate	3.9 %
Average expected duration	5 years
Expected volatility	95 %
Share price	0.19\$
Expected Dividend	Nil

## Devonian Health Group Inc.

Notes

January 31, 2025

(Unaudited)

The following table summarizes information about the options outstanding and exercisable as at January 31, 2025:

Exercise price \$	Options outstanding and exercisable		
	Number of options outstanding	Weighted average remaining contractual life	Options exercisable
0.12	751,645	5.91 years	751,645
0.125	3,765,610	8.84 years	3,765,610
0.145	500,000	9.39 years	300,000
0.15	4,397,966	7.96 years	4,397,966
0.16	3,298,611	9.69 years	3,298,611
0.19	1,535,715	9.90 years	1,535,715
0.20	785,000	8.12 years	785,000
0.21	675,000	5.51 years	675,000
0.34	50,000	7.94 years	50,000
0.40	920,000	6.80 years	920,000
0.50	2,700,000	6.90 years	2,000,000
0.60	1,210,000	3.44 years	1,210,000
	<u>20,589,547</u>		<u>19,689,547</u>

### 10 Warrants

The following table summarizes information about the Company's warrants and the changes during the six-month period ended January 31, 2025, and the year ended July 31, 2024, all of which are exercisable:

	January 31 2025		July 31 2024	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of period	12,941,850	0.24	45,570,160	0.37
Issued	-	-	3,764,727	0.25
Expired	(201,982)	0.19	(36,393,037)	0.40
Outstanding, end of period	<u>12,739,868</u>	<u>0.24</u>	<u>12,941,850</u>	<u>0.24</u>

# Devonian Health Group Inc.

## Notes

January 31, 2025

(Unaudited)

The following table summarizes information about warrants outstanding as at January 31, 2025:

Exercise price \$	Warrants outstanding	
	Number of warrants outstanding	Average remaining contractual life
0.20 to 0.30	12,164,823	0.02 to 1.12 year
0.52 to 0.69	535,046	0.64 to 2.23 year
0.95	39,999	1.63 year

## 11 Financial expenses

Financial expenses for the 6 month period are as follows:

	For the six-month periods ended	
	January 31 2025 \$	January 31 2024 \$
Interest expenses and bank charges	6,562	3,626
Interest on long-term debt	129,201	215,178
Interest on lease liability	4,956	3,301
Interest on deposit	(154,209)	(73,911)
Amortization of financial cost	84,383	-
	<u>70,893</u>	<u>148,194</u>

## 12 Net loss per share

The following table provides the weighted average number of shares used to calculate the basic loss per share for the 6 month period ended:

	January 31 2025	January 31 2024
Weighted average number of shares used to calculate the basic loss per share	<u>148,222,531</u>	<u>146,347,626</u>
Items excluded from the calculation of diluted loss per share:		
Stock options	20,589,547	14,490,610
Warrants	12,739,868	11,868,878

For the six-month periods ended January 31, 2025, and 2024, the impacts of the warrants, stock options and the convertible debentures were excluded from the calculation of diluted loss per share as they would have an anti-dilutive effect.

# Devonian Health Group Inc.

Notes

January 31, 2025

(Unaudited)

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## 13 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, 2025 and 2024 are as follows:

	January 31 2025 \$	January 31 2024 \$
Accounts receivable	492,284	(1,885,199)
Inventories	(43,132 )	17,725
Prepaid expenses	(116,513 )	(183,314)
Deferred financing cost	-	(196,662)
Interest reserve	160,000	-
Income tax liability	894,352	
Accounts payable	(665,883 )	2,662,836
	<hr/> 721,008	<hr/> 415,386

## 14 Subsequent events

On February 7, 2025, the company announced that Altius Healthcare had been informed that one of its licensors had not intended to exercise its contractual license renewal option for the distribution of Dexlansoprazole for an additional term. Revenue for Dexlansoprazole represented 86% and 92% of Devonian's total revenues for the fiscal year ended July 31, 2024 and the 6-month period ended January 31, 2025, respectively. Altius will continue selling Dexlansoprazole until April 17, 2025, when the license agreement will terminate, and will continue to sell Pantoprazole Magnesium and Cleo-35® thereafter.

## 15 Restatements

### Revenues and Expenses

The Company has historically recognized all revenues and expenses related to drug sales on a net basis. In 2025 the Company noted that the accounting treatment of a portion of these expenses was incorrect, as they did not meet the criteria for presentation as net revenue. It was determined that all identified expenses should be recognized in the interim consolidated statement of income and comprehensive income under selling and administrative expenses. As such the 2024 comparative numbers are restated as presented in the table below:

# Devonian Health Group Inc.

## Notes

January 31, 2025

(Unaudited)

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	For the three-month period ended January 31, 2024			For the six-month period ended January 31, 2024		
	Previously stated \$	Adjustments \$	Adjusted \$	Previously stated \$	Adjustments \$	Adjusted \$
Revenues	2,277,170	77,910	2,355,080	3,549,690	175,453	3,725,143
Selling and administrative expenses	(1,616,461)	(77,910)	(1,694,371)	(2,405,335)	(175,453)	(2,580,788)

The 2024 restatements have no impact on the net loss and comprehensive loss, changes in equity and cash flows.