Q3 - 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR THE QUARTER AND THE NINE-MONTH PERIOD ENDED APRIL 30, 2019.

1. INTRODUCTION

This Management's Discussion & Analysis provides the reader with an overview of the operations and financial position of Devonian Health Group Inc. ("the Company") on Avril 30, 2019. It also provides a review of our performance by comparing the Company's results of operations on a consolidated basis, for the three-month period and nine-month period ended April 30, 2019, with the three-month period and nine-month period ended April 30, 2018. It should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three-month and nine-month periods ended April 30, 2019 and the consolidated and audited financial statements of the Company for the years ended July 31, 2018 and July 31, 2017. The financial data contained in this Management's Discussion & Analysis have been prepared in accordance with International Financial Reporting Standards (IFRS) by Management, based on the information available as at June 25, 2019. All amounts presented in this document are expressed in Canadian dollars.

2. FORWARD LOOKING STATEMENTS

The information contained in this Management's Discussion & Analysis, as well as the analysis of the results of operations and the financial position may contain statements relating to future results of operations. Certain forward-looking statements made by Management, relative to the results of the research studies as well as the objectives and the expectations of the Company, can be influenced by various risks and uncertainties and therefore generate real results different from those anticipated. The assumptions that support forward-looking statements made by Management are made from data presently available.

3. COMPANY PROFILE

Devonian Health Group is a pharmaceutical company specializing in the development of botanical drugs. Incorporated on March 27, 2015, under the Québec Business Corporations Act, the Company, which is the result of a merger, acquired in April 2015, all the assets of Purgenesis Technologies Inc., a company that developed and manufactured patented active complexes from natural sources. On May 12, 2017, the Company was extended under the Canada Business Corporation Act.
The first family of active ingredients available to the Company is currently extracted from organic baby spinach. The flagship product of the Company, PUR0110, shows immunomodulatory, antioxidant and anti-inflammatory properties. It is the first product of a family of active ingredients, extracted using the Supra Molecular Complex Extraction and Stabilization Technology (SUPREX™). It is customary that when a drug is at an advanced stage of development, the code name be changed to a generic name associated with the chemical structure of the product. The PUR0110 will now bear the name of "Thykamine™".

In addition to benefiting from a pharmaceutical complex extraction facility in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first cosmeceutical product developed by Devonian, is an anti-aging treatment for women, consisting of day creams, night cream and eye contour. R-Spinasome®, Devonian's proprietary natural active ingredient, is an integral part of this product, ready for marketing under the brand name Purgenesis ™. The company is proud that Purgenesis™ have earned the designation of being the first product distributed by dermatologists to be recognized by the Skin Health Program™ of the Canadian Dermatology Association ("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. Devonian intends to market its products under the Purgenesis ™ brand with sales and marketing partners. In Canada, marketing is handled by Altius Healthcare Inc., a wholly owned subsidiary of Devonian.

The company's business strategy is also to build a portfolio of complementary products that align with its expertise, which will drive revenue and cash flow to realize its research projects and create value for its shareholders.

4. HIGHLIGHTS FOR THE QUARTER ENDED APRIL 30, 2019

Financing

On April 23, 2019, the Company issued shares in consideration of the interest due to the convertible debenture holders, issued during the private placement, as announced in the press releases dated July 19, 2018 and September 4, 2018:

• 190,931 subordinate voting shares issued at a price of $ 0.29, of which 173,831 shares were issued to Aspri Pharma Canada Inc., holder of debentures issued in the first tranche of the private placement closed on July 19, 2018, and 17,100 shares were issued to a director, holder of debentures issued in the second tranche of the private placement closed on August 31, 2018. These shares were issued against the interest due to them on January 19, 2019 and February 28, 2019, respectively for $ 50,411 and $ 4,959;

• 95,500 units issued at a unit price of $ 0.31 to debenture holders issued in the second tranche of the private placement closed on August 31, 2018, in consideration for the interest due to them at February 28, 2019 for an amount of $ 29,605. Each unit consists of one subordinate voting share and one warrant. Each warrant entitles its holder to subscribe for one subordinate voting share of the Company at a price of $ 0.40, for a period of 24 months.

Research and Development

The Phase 2 clinical trial of Thykamine ™ in adult patients with mild to moderate atopic dermatitis is proceeding as planned. To speed up patient recruitment, Devonian is expanding the number of sites from 6 to 12 clinics in Canada.

In addition, the Company's cosmeceutical R & D program is progressing well and is focused on the external Exposome associated with aging skin, namely solar radiation (UVA / UVB, Infrared A and Blue Light), radiation from blue light from other sources than the sun and pollution.

The emission of blue light, also called high-energy visible light (HEV), comes from the sun as well as digital displays of computers, smartphones, TVs, tablets and LED lamps. The negative impact of blue light on ocular health and the circadian system (sleep) has been reported in several scientific manuscripts. It has also been shown to have adverse effects on various dermal cells, to generate reactive oxygen species (oxidants) and to induce aging of the skin. Devonian completed the formulation of a new blue light photoprotection product. The product was developed as a day cream with Devonian's patented R-Spinasome® as one of the main ingredients. The product is expected to be tested on human in 2019 and should be ready for commercialization in 2020.

On April 8, 2019, the Company announced that researchers had published results on thylakoid extracts from its research and development program. Published in the journal, Journal of Cosmetic Dermatology, entitled '' *Study of antioxidant properties of thylakoids and application of UV protection and repair of UV-induced damage* '' the article describes the results of in vitro studies aimed at to better understand the mechanism of action of thylakoid extracts in relation to cosmeceutical applications.

The results demonstrated that the thylakoid extracts were not cytotoxic for human THP-1 cells. In addition, formulations containing 0.1% or 0.01% of thylakoids, in combination with sunscreen, confer synergistic protection against UV exposure. When mixed with a neutral cream, the thylakoid extracts can repair the damage caused by UV rays on the human skin model based on tissue engineering. The authors concluded that the molecules and enzymes present in thylakoid extracts are involved in the protection and restoration of the harmful effects of UV exposure.

The properties of thylakoid extracts developed by Devonian, of which R-Spinasome® forms the basis of its range of cosmeceutical products. In addition, data from in vitro studies confirm that further research is needed to evaluate other potential cosmeceutical applications.

On April 10, 2019, Devonian announced the creation of a Scientific Advisory Board with the mandate to contribute to the development of cannabinoid-based pharmaceutical products. Comprised of experts in botany, chemistry, immunology,

infectious diseases and drug discovery and development, this scientific advisory committee will assist Devonian's research and development team in the development of cannabinoid-based pharmaceutical drugs. These Canadian experts who form a new scientific advisory board will help Devonian develop cannabinoid-based drugs that could be developed as pharmaceutical drugs as part of the normal drug development pathway, as new chemical entities (NCEs) or under the Botanical Medicines Regulations.

About Thykamine™

Thykamine™, the first pharmaceutical product issued from the Devonian SUPREX ™ platform, is a highly innovative product for 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 in patients with mild to moderate distal ulcerative colitis. Thykamine ™ is currently being developed for ulcerative colitis and atopic dermatitis. Thykamine ™ and the SUPREX ™ platform are protected by several patents in North America, Europe and Asia.

About R-Spinasome®

R-Spinasome®, an active complex of thylakoids extracted from organic green leaves, is the basis of the first anti-aging cosmeceutical treatment marketed under the Purgenesis ™ product line. The structure of this complex is essential for its antioxidant action, which allows it to capture and dissipate the harmful energy generated by reactive oxygen derivatives (ROS), thus restoring the complex to a state ready to be subjected to new activation cycles. This regenerative capacity invests the R-Spinasome® complex with long-lasting antioxidant activity that is still unmatched. In a clinical study of 72 subjects, Purgenesis ™ anti-aging treatment has been shown to provide anti-wrinkle, firmness and hydration results far superior to leading anti-aging creams. more sold. Made of a day cream, night cream and eye cream, the anti-aging treatment is recognized by the Skin Health Program™ of the Canadian Dermatology Association. Purgenesis ™ anti-aging treatment is protected by patents in Japan, Canada, The United States and Europe (#JP5952261; #CDN 2,699,6795; #US 13 / 261,472; #EUR 11 768 299.7).

5. SUMMARY OF OPERATING RESULTS FOR THE QUARTER ENDED APRIL 30, 2018

Net loss

For the three-month period ended April 30, 2019, the net loss amounted to $ 989,556 ($ 0.015) per share while it stands at $ 2,045,361 (0.030) per share for the nine-month period ended same date. For the same comparative periods ended April 30, 2018, the Company realized a net loss of $ 597,759 ($ 0.010) per share and $ 2,025,245 (0.030) per share. This decrease in net income is mainly attributable to lower distribution revenues, higher general and administrative expenses and financial expenses incurred, partially offset by lower research and development expenses incurred during the three-month period ended April 30, 2019.

The Company, which currently generate sales through its subsidiary Altius Healthcare, incurs operating expenses, including administrative expenses and financial expenses, in addition to the research and development costs necessary to the development of its products and the preparation of its clinical trials.

Revenues

During the quarter ended April 30, 2019, revenues of $ 517,444 were recorded. For the nine-month period ended April 30, 2019, $ 5,834,659 in revenue was recorded. The Company's revenues are generated by the distribution of two pharmaceutical products, Cleo-35 and Pantoprazole Magnesium, through its subsidiary Altius Healthcare. For the three-month and nine-month periods in the prior year, the Company recorded $ 2,083,802 of revenues, also from the distribution of Cleo-35 and Pantoprazole Magnesium, through its subsidiary Altius Healthcare.

The significant drop in distribution revenues for the quarter, is driven by the ongoing disruption in Pantoprazole Magnesium supplies. Management considers this to be a one-time problem and expects this to be resolved in the fourth quarter.

On June 26, 2018, the Company announced the commercial launch of the Purgenesis ™ anti-aging treatment. Some problems with the WEB sales platform for dermatologists have meant that the marketing of the product has been delayed. Despite the resolution of technical issues related to the sales platform in the third quarter, the Company did not record sales of cosmeceuticals. To fine-tune its Canadian marketing model, the Company held a meeting in April with key Canadian opinion leaders in dermatology. The recommendations of these will be implemented during the year 2019.

The Corporation's management continually studies various opportunities for business opportunities in order to expand its potential for projects and products to be distributed.

Research and development expenses

The breakdown of Research and development expenses is as follows**:**

	Three-month period ended April 30 , 2019	Three-month period ended April 30 , 2018	Nine-month period ended April 30 , 2019	Nine-month period ended April 30 , 2018
	$	$	$	$
Patents	30,044	20,939	85,509	56,517
Salaries and employee benefits	22,921	24,571	61,349	77,597
Quality assurance process & offsite extraction activities	-	-	-	25,620
Dermatitis Atopic, Phase II	167,175	241,360	383,595	652,291
New products development		-	-	1,350
Consultants fees	-	-	6,000	
Applications study of Thykamine™		-	-	7,200
	220,140	286,870	536,453	820,575

During the quarter ended April 30, 2019, research and development expenses amounted to $ 220,140 while for the nine-month period, they amounted to $ 536,453. These costs are mainly attributable to the costs incurred in the clinical study on atopic dermatitis, the costs related to patents, as well as the payroll of employees assigned to this sector. For the same periods in 2018, these research and development expenses totaled $ 286,870 and $ 820,575, respectively. The decrease compared to the corresponding periods of 2018 is mainly due to the research and development tax credits recorded for a total of $ 191,773 in January 2019, a reduction of extraction activities compared to 2018, as well as than a reduction in the costs incurred for the recruitment of patients for the clinical study.

Cost of sales

Cost of sales of $ 515,171 for the quarter ended April 30, 2019 is comprised of acquisition, distribution, royalty and overhead costs attributable to products sold by our subsidiary Altius Healthcare. This amount, which appears to be high despite a low level of sales for the quarter ended April 30, 2019, is mainly due to costs of various programs that were incurred during this third quarter, but in relation to a high volume of revenues from distributions generated in the second quarter. For the nine-month period ended on the same date, cost of sales was $ 4,485,015. During the three and nine months ended April 30, 2018, the cost of sales was $ 1,726,759.

Sales expenses

Selling expenses totaling $ 61,792 for the three-month period ended April 30, 2019 and $ 130,195 for the nine-month period ended April 30, 2019, are attributable to the expenses of sales representatives incurred for the sale of the two products distributed by Altius Healthcare (Cleo-35 and Pantoprazole Magnesium). For the three-month and nine-month periods ended April 30, 2018, 71,286 for selling expenses were incurred.

Operating expenses

General administration expenses

The breakdown of General administrative expenses is as follows:

	Quarter ended April 30, 2019	Quarter ended April 30, 2018	Nine-month period ended April 30, 2019	Nine-month period ended April 30, 2018
	$	$	$	$
Salaries and emloyee benefits	70,121	70,523	254,223	236,048
Stock based compensation	32,208	55,923	83,886	70,235
Professional fees	68,670	80,576	244,379	225,168
Amortization of intangible assets	189,180	-	562,181	-
Amortization of fix assets	65,534	68,254	201,355	207,744
Property taxes	28,714	27,249	83,240	81,322
Others	315,349	163,235	1,002,148	362,129
	769,776	465,760	2,431,412	1,182,646

For the quarter ended April 30, 2019, salaries and benefits in the amount of $ 70,121 are mainly related to the members of management. For the same period ended April 30, 2018, salaries and benefits expenses of $ 70,523 were also attributable to the management. For the nine-month period ended April 30, 2019, salaries and benefits are $ 254,223 compared to $ 236,048 for the same period in 2018. This increase compared to the period nine months of 2018, is primarily attributable to employee benefits granted to the president, recorded during the quarter ended October 31, 2018.

For the three-month and nine-month periods ended April 30, 2019, stock-based compensation expense (a non-cash charge) of $ 32,208 and $ 83,886 respectively, was recorded as a result of the granting options to employees in fiscal 2017, 2018 and the three quarter of 2019, in accordance with the Corporation's stock option plan. For the same comparable periods of 2018, stock-based compensation expense of $ 55,923 and $ 70,235 was recorded following the granting of options to employees during 2017 and 2018.

For the quarter ended April 30, 2019 and the nine-month period ended on the same date, professional fees of $ 68,670 and $ 244,379 are mainly related to expenses incurred in the preparation of the financial statements for the year ended July 31, 2018, corporate work, and expenses incurred in the preparation of the general annual meeting. For the same periods in 2018, professional fees of $ 80,576 and $ 225,168 were mainly related to corporate work and expenses incurred in the preparation of the financial statements for the year ended July 31, 2017 as well as expenses incurred in the preparation of the general annual meeting and for the proposed acquisition of Altius Healthcare Inc.

For the three-month periods ended April 30, 2019 and April 30, 2018, amortization expense of $ 65,534 and $ 68,254 respectively is related mainly to all tangible assets acquired in April 2015. For the nine-month periods ended April 30, 2019 and April 30, 2018, this expense was $ 201,355 and $ 207,744, respectively, and was also related to all tangible assets acquired in April 2015.

In connection with the intangible assets acquired and those generated upon the acquisition of Altius Healthcare, amortization expense for intangible assets of $ 189,180 was recorded during the quarter ended April 30, 2019, while amounted to $ 562,181 for the nine-month period ended April 30, 2019. Such an expense was not recognized for the same corresponding periods of 2018.

For the quarter ended April 30, 2019, and the nine-month period ended on the same date, a property tax expense of $ 28,714 and $ 83 240 is related to the Montmagny site, while it was respectively $ 27,249 and $ 81,322 for the same periods in 2018.

For the three-month period ended April 30, 2019, other expenses of $ 315,349 are mainly attributable to the Montmagny and Altius site operating expenses, travel and travel expenses, promotional expenses and advertising, management fees, office supplies and expenses related to the Company's stock market securities. For the nine months ended April 30, 2019, these other charges amount to $ 1,002,148. For the same periods in 2018, the other fees were $ 163,235 and $ 362,129, respectively. This increase compared to the same periods last year is mainly due to advertising and promotional expenses, travel expenses, website management fees and Altius management fees incurred in the course of the quarter and the nine- month period ended April 30, 2019.

Financial expenses

During the three-month period ended April 30, 2019, financial expenses of $ 136,736 are mainly related to long-term debt and debentures issued in July and August 2018. For the same period in 2018, financial expenses of $ 87,186 were mainly related to long-term debt. During the nine-month period ended April 30, 2019, financial expenses amounted to $ 419,790 compared to $ 264,081 for the corresponding period of 2018. These increases compared to the same periods in 2018 were mainly due to interest expense and amortization expense of the discount related to the convertible debentures issued in July and August 2018. For the same periods in 2018, no debenture-related expense was recorded, since the latter had been converted into securities of the Company in May 2017.

6. SELECTED QUATERLY FINANCIAL INFORMATION

	Quarter ended								
	April 30 2019	January 31 2019	October 31 2018	July 31 2018	April 30 2018	January 31 2018	October 31 2017	July 31 2017	April 30 2017
	$	$	$	$	$	$	$	$	$
Revenues	517,444	3,354,684	1,962,531	1,116,157	2,083,802	-	-	-	-
Net loss	(989,556)	(399,220)	(656,585)	(1,161,823)	(597,759)	(783,308)	(643,878)	(2,770,858)	(604,808)
Basic loss per share	(0.015)	(0.006)	(0.009)	(0.017)	(0.010)	(0.013)	(0.011)	(0.050)	(0.021)
Diluted loss per share	(0.015)	(0.006)	(0.009)	(0.017)	(0.010)	(0.013)	(0.011)	(0.050)	(0.021)

7. FINANCIAL SITUATION

Liquidity and capital resources

As at April 30, 2019, the Company had cash, totaling $ 413,873 compared to $ 981,982 as at July 31, 2018. For the nine-month period ended April 30, 2019, the net cash decrease of $ 568,109 is mainly attributable to the $ 1,054,166 expenses incurred to finance general operations and the investment costs of $ 118,110, partially offset by financing activities of $ 604,167.

The total assets as at April 30, 2019 totaled $ 18,095,671 compared to $ 19,157,702 as at July 31, 2018. This decrease of $ 1,062,031 is mainly due to the decrease in cash of $ 568,109, the decrease of the receivables of $23,389, and inventories of $ 15,563, amortization of tangible assets in the amount of $ 201,355 and decrease in intangible assets of $ 444,071, mainly due to amortization expense, partially offset by an increase in prepaid expenses of $ 65,054 and an increase in tax credits receivable of $ 125,402.

The liability as at April 30, 2019 totals $ 7,110,622 compared to $ 6,422,444 as at July 31, 2018, an increase of $ 688,178 mainly due to an increase in operating liabilities of $ 361,286, as well as $ 615,937 in convertible debentures, partially offset by a decrease in long-term debt of $ 92,833, an amount owing of $ 68,740 and deferred and payable taxes in the amount of $ 99,111 and $ 28,361 respectively.

Financing activities

Cash generated by financing activities for the period ended April 30, 2019, is attributable to proceeds of $ 697,000 related to the issuance of debentures in August 2018, partially offset by a repayment of long-term debt of $ 92,833. $.

To date, the Company has financed its operations through private placements of common shares and subscription rights as well as the issuance of convertible debentures and government securities.

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

8. OUTSTANDING SHARE DATA

As at June 25, 2019, the number of issued and outstanding shares was 67,634,579 while the number of outstanding options granted under the Stock Option Plan was 3,045,000. The Company also had 8,403,361 warrants entitling the holders to subscribe for one subordinate voting share of the Corporation at a price of $ 1.19 per share. (See note 15 and 16 to our financial statements). The Company also had 86,750 and 95,500 warrants entitling the holders to subscribe for one subordinate voting share of the Corporation at a price of $ 1.10 and $ 0.40 respectively.

9. RELATED PARTY TRANSACTIONS

The principal officers of the Corporation are the President, the Interim Chief Financial Officer and the directors. During the nine-month period ended April 30, 2019, the Company paid a total compensation of $ 275,472, of which $ 75,653 was recorded as stock-based compensation and $ 26,230 as contribution to the president's registered retirement savings plan. During the nine-month period ended April 30, 2019, the Company also recorded a charge of $ 200,000 as a management fee, as provided for in the agreement signed by the President of Altius Healthcare and authorized by Altius's board of Directors. These management fees are part of the "other costs" of administration.

These transactions were carried out under terms equivalent to those that prevail in arm's length transactions.

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 its accounts payable and the recovery of taxes paid on its purchases and sales. Its financing activities carried out during the fiscal year ended July 31, 2018 resulted in the issuance of debentures and securities of the Company, whereas during the period ended April 30, 2019, they gave rise to the issue of convertible debentures and refinancing of its pharmaceutical facilities.

Exchange rate risk

During the quarter ended April 30, 2019, the Company completed a few foreign currency transactions with a minimum value. Management will evaluate options to deal with future changes in the Canadian dollar against the US dollar, should the value of foreign currency transactions be significant. Financial charges as well as general administrative expenses could be influenced by these financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of interest rate fluctuations on its debt with a private group, which bears interest at a variable rate. Based on the net exposures presented above as at April 30, 2019, 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 $ 22,500 of the Company's net loss for the nine-month period.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations related to financial liabilities. On April 30, 2019 the Company had current liabilities of 1,928,741. The Company's operating and capital expenditure budgets as well as major operations outside the normal scope of its operations are reviewed and approved by the Board of Directors. The Company monitors its liquidity, which makes it possible to seek additional liquidity in a timely manner.

Risk of economic dependence (Altius)

The revenues of Altius Healthcare (Altius) currently comes from the sale of Cléo-35 and Pantoprazole Magnesium which accounts for 93% of these revenues. Altius obtains its supplies from third parties and cannot be sure of the manufacture and delivery of these drugs, despite reports of forecasts provided to them.
A break in the supply of Pantoprazole Magnesium would have a negative impact on the company's revenues.
In order to reduce the associated economic risk, Altius' strategy is to acquire rights to market other pharmaceutical products.

Risks and uncertainties related to research and development operations

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

Risks related to our shares

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

11. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect the amounts reported as assets, liabilities and income and expenses. These amounts reflect management's best estimate based on overall economic conditions and decisions based on the Company's most probable course of action. Any changes to these assumptions and estimates could have an impact on actual results. The consolidated and audited financial statements for the year ended July 31, 2018 should be referenced for further details regarding significant accounting policies and estimates for the purpose of evaluating and understanding the financial statements of the Company. During the period ended April 30, 2019, no change in accounting policy that could have an impact on the financial statements has occurred.

Going concern

The Company has incurred losses since its inception and expects that this situation will continue in the foreseeable future. However, management believes that the business combination that occurred during the year will enable the Company to generate the necessary sales volume to enable it to continue its operations. The Company's liquidities are limited considering its ongoing projects. Consequently, the Company's ability to continue as a going concern depends on its ability to obtain, in a timely matter, further financing to complete research and development projects and market products, achieve profitable operations and generate positive cash flows from operations as to which no assurance can be given.

Further financing will continue to be required since it is impossible to estimate when the Company will achieve profitability. Management continues to negotiate further financing and different agreements that could create positive cash flows. The success of these negotiations relies on a number of factors beyond the control of the Corporation and its ability to successfully complete such financings and agreements is tinged with significant uncertainty that may cast significant doubt on the Company's ability to continue its exploitation.

12. SUBSEQUENT EVENTS

On May 27, 2019, the Company received all of the research and development tax credits receivable of $ 256,782, as reported in Note 7 of the Financial Statements for the nine months ended April 30, 2019.

On June 3, 2019, the Company announced the signing of a binding letter of intent with Histapharm Inc. ("Histapharm"), a pioneering company in the control of histamine levels, to negotiate terms establishing Devonian as a site exclusive for the extraction and manufacture of Histapharm's exclusive botanical drug. Histapharm's product targets histamine degradation, a different approach than other treatments using antihistamine technologies. The letter of Intent also includes the establishment of a strategic partnership focused on the development of new products for dermatological applications.

Under the Letter of Intent, Devonian will be the exclusive site for the extraction and manufacture of the botanical drug containing diamine oxidase (DAO). In addition, as part of the strategic partnership, Devonian and Histapharm will develop new products based on the combination of their respective platforms, products and know-how. In order to facilitate the partnership, Histapharm intends to locate its head office near Devonian. The manufacturing contract must be signed within the next 150 days and the strategic partnership by November 30, 2019.

The conclusion of the Final Agreements is subject to additional conditions, including approval by the Devonian and Histapharm Boards, of third-party consents, on terms satisfactory to Devonian and Histapharm, and certain other customary conditions. The

conclusion of the Final Agreements is also subject to the approval of the TSX Venture Exchange and all other necessary regulatory approvals. There can be no assurance that the transaction will be completed or completed as proposed.

About Histapharm Inc.

Histapharm is a Canadian company pioneering the control of histamine level in various dysfunctions by oral administration of the plant enzyme – histaminase (called also Diamineoxidase DAO). This enzymatic botanical drug therapy consists in reducing inflammation through degradation of histamine and hydrogen peroxide. The enzyme-containing product can prevent exacerbation of symptoms related to various dysfunctions linked to histamine excess (mastocytosis, histaminosis) or to inhibition of DAO (i.e. diabetes). Considering the actual high unmet needs, Histapharm is developing the first botanical enzymatic product for people living for many years with symptoms which become worst with disease progression. Histamine is a trigger factor in dysfunctions for which patients are recommended long-life a low-histamine diet and medication including anti-histaminic drugs. On June 5, 2019, the Company announced the filing of a new patent application concerning the use of thylakoids as a delivery system for cannabinoids and other lipid-soluble molecules for pharmaceutical and cosmetic applications. This new demand demonstrates the possibilities of developing the potential of our technology.

Interest Settlement Update Announced March 29, 2019

As mentioned in paragraph 4 above, on April 23, 2019, the Company issued 173,831 shares to Aspri Pharma Canada Inc., ("Aspri") in connection with the payment of accrued interest on convertible debentures that were issued during the private placement, as announced in the press release dated July 19, 2018. Given Aspri's insider status and TSXV 4.3 policy, no warrants were issued with these 173,831 shares, unlike the other subscribers of the debentures issued on September 4 under the same conditions, which received units, each consisting of one subordinate voting share and one warrant giving the right of the holder to subscribe to a subordinate voting share of the corporation. In the interest of fairness for Aspri, the Company has therefore filed with the Venture Exchange a request for an exemption so that Aspri can also obtain warrants. On May 22, 2019, the Venture Exchange agreed to grant the exemption under certain conditions and accordingly, the Company issued 173,831 warrants to Aspri Pharma Inc., each warrant entitling its holder to subscribe a subordinate voting share of the Corporation at a price of $ 0.38 per share, on or before April 23, 2021.