

Devonian Health Group Inc.

Interim Consolidated and Condensed Financial Statements
For the three-month and the nine-month periods ended
April 30, 2018

**INTERIM CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH
AND THE NINE-MONTH PERIODS ENDED APRIL 30, 2018**

Statement regarding interim consolidates and condensed financial statements

Management has prepared the accompanying interim consolidates and condensed financial statements of Devonian Health Group Inc. which include the interim consolidated and condensed statement of financial position as at April 30, 2018, and the interim consolidated condensed statements of the net income, changes in equity and cash flows for the nine-month period ended April 30, 2018. The auditors have not examined or audited these interim consolidated financial statements.

Devonian Health Group Inc.

INTERIM CONSOLIDATED AND CONDENSED STATEMENT OF INCOME

"Unaudited"

	For the three-month period ended April 30,		For the nine-month period ended April 30,	
	2018	2017	2018	2017
REVENUE				
Net sales	\$ 2,083,802	\$ -	\$ 2,083,802	\$ -
OPERATING EXPENSES				
Cost of goods sold	1,726,759	-	1,726,759	-
Research and development expenses	286,870	91,216	820,575	270,098
Selling expenses	71,286	-	71,286	-
Aministrative expenses	465,760	362,033	1,182,646	946,471
Financial expenses (Note 13)	87,186	151,559	264,081	476,589
Total operating expenses	2,637,861	604,808	4,065,347	1,423,060
LOSS BEFORE INCOME TAXES	(554,059)	(604,808)	(1,981,545)	(1,693,158)
INCOME TAX EXPENSE				
Deferred	43,700		43,700	(88,301)
NET LOSS	\$ (597,759)	\$ (604,808)	\$ (2,025,245)	\$ (1,604,857)
Loss per share (Note 13)				
basic and diluted	\$ (0.010)	\$ (0.021)	\$ (0.030)	\$ (0.058)

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

Devonian Health Group Inc.

INTERIM CONSOLIDATED AND CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended April 30,

“Unaudited”

	Number				Amount					
	Shares	Stock options	Warrants	Total	Share capital	Stock options	Warrants	Contributed surplus	Deficit	Total
BALANCE , as at July 31, 2017	58,744,787	1,897,423	4,217,782	64,859,992	\$ 10,978,344	\$ 477,326	\$ 861,525	\$ 428,104	\$ (4,556,975)	\$ 8,188,324
Net loss	-	-	-	-	-	-	-	-	(2,025,245)	(2,025,245)
Issuance of shares and warrants (Note 9)	8,403,361	-	8,403,361	16,806,722	6,129,787	-	1,231,556	-	-	7,361,343
Stock options exercised (Note 10)	120,000	(120,000)	-	-	94,320	(61,920)	-	-	-	32,400
Stock-based compensation	-	250,000	-	250,000	-	70,235	-	-	-	70,235
	8,523,361	130,000	8,403,361	17,056,722	6,224,107	8,315	1,231,556	-	(2,025,245)	5,438,733
BALANCE , as at April 30, 2018	67,268,148	2,027,423	12,621,143	81,916,714	\$ 17,202,451	\$ 485,641	\$ 2,093,081	\$ 428,104	\$ (6,582,220)	\$ 13,627,057

	Number				Amount						
	Common shares issued	Common shares subscribed	Warrants issued	Total	Share capital issued	Share capital subscribed	Warrants issued	Equity component of convertible debentures	Contributed surplus	Deficit	Total
BALANCE , as at July 31, 2016	26,307,754	-	8,797,181	35,104,935	\$ 3,132,808	\$ -	\$ 612,437	\$ 366,643	\$ 196,786	\$ (181,260)	\$ 4,127,414
Net loss	-	-	-	-	-	-	-	-	-	(1,604,857)	(1,604,857)
Issuance of shares and warrants	1,976,337	3,485,560	(1,764,403)	3,697,494	730,806	1,045,670	(137,905)	-	-	-	1,638,571
Equity component of convertible debentures	-	-	-	-	-	-	-	84,965	-	-	84,965
Tax effect of convertible debentures	-	-	-	-	-	-	-	(16,145)	-	-	(16,145)
	1,976,337	3,485,560	(1,764,403)	3,697,494	730,806	1,045,670	(137,905)	68,820	-	(1,604,857)	102,534
BALANCE , as at April 30, 2017	28,284,091	3,485,560	7,032,778	38,802,429	\$ 3,863,614	\$ 1,045,670	\$ 474,532	\$ 435,463	\$ 196,786	\$ (1,786,117)	\$ 4,229,948

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

Devonian Health Group Inc.

INTERIM CONSOLIDATED AND CONDENSED STATEMENT OF FINANCIAL POSITION

As at	April 30, 2018	July 31, 2017
	(unaudited)	(audited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 809,517	\$ 2,204,883
Commodity taxes recoverable	289,943	72,030
Accounts receivable	1,256,102	
Subscription receivable	-	135
Inventories (Note 6)	142,073	14,465
Prepaid expenses	370,033	257,790
	2,867,668	2,549,303
SECURITY DEPOSIT, bearing interest at 0.78%, maturing in 2019	14,400	14,400
FIXED ASSETS (Note 7)	3,898,939	4,106,683
INTANGIBLE ASSETS	13,353,592	4,888,000
	\$ 20,134,599	\$ 11,558,386

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

Devonian Health Group Inc.

INTERIM CONSOLIDATED AND CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at	April 30, 2018	July 31, 2017
	(unaudited)	(audited)
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued payable	\$ 1,538,641	\$ 110,376
Income taxes payable	101,700	
Current portion of long-term debt	641,388	160,347
	<u>2,281,729</u>	270,723
LONG-TERM DEBT (Note 8)	3,264,421	3,099,339
DEFERED INCOME TAXES	961,392	
	<u>6,507,542</u>	3,370,062
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	17,259,329	10,978,344
Stock options (Note 10)	485,641	477,326
Warrants (Note 10)	2,036,203	861,525
Contributed surplus	428,104	428,104
Deficit	(6,582,220)	(4,556,975)
	<u>13,627,057</u>	8,188,324
	<u>\$ 20,134,599</u>	\$ 11,558,386

Statutes of incorporation and nature of activities (Note 1)
Going concern assumption (Note 3)
Commitments (Note 12)

On behalf of the Board,

(s) Pierre Colas _____, Director

(s) André Boulet _____, Director

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

Devonian Health Group Inc.

INTERIM CONSOLIDATED AND CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended April 30,

2018

2017

“Unaudited”

OPERATING ACTIVITIES

Net loss	\$ (2,025,245)	\$ (1,604,857)
Items not affecting cash		
Amortization of fixed assets	207,744	206,798
Amortization of discount on convertible debentures	-	49,696
Interest on convertible debentures	-	95,442
Stock-based compensation	70,235	-
Deferred income taxes	-	(88,301)

(1,747,266) (1,341,222)

Net change in non-cash working capital items **189,257** 177,425

(1,558,009) (1,163,797)

INVESTING ACTIVITIES

Increase in deferred share issuance costs - (107,546)

(107,546)

FINANCING ACTIVITIES

Repayment of long-term debt	(6,506)	(481,039)
Issuance of shares and warrants	32,400	1,638,571
Debentures issued	-	138,500
Long term Debt increase	136,749	

162,643 1,296,032

DECREASE IN CASH AND CASH EQUIVALENTS

(1,395,366) (24,689)

CASH, beginning of period **2,204,883** 528,396

CASH, end of period **\$ 809,517** \$ 553,085

Cash and cash equivalents include:

Cash	\$ 809,517	\$ 543,996
Cash and equivalents	-	9,089

\$ 809,517 \$ 553,085

Cash flows from operating activities include interest of \$261,499 (April 30, 2017 – \$318,195).

On February 1, 2018, the Company acquired 100% of the outstanding shares of Altius Healthcare Inc. Net assets valued at \$ 7,361,343 were acquired against the issuance of shares and warrants valued at \$ 7,361,343. This transaction did not have any effect on the liquidity of the Company.

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

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

Devonian Health Group Inc. was incorporated under the Québec Business Corporations Act on March 27, 2015. The Company is the result of an amalgamation under the Business Corporations Act (BCA), completed on March 27, 2015, between Devonian Technologies Inc., Devonian Pharmaceutiques Inc., Devonian Cosmétiques Inc. and Consultant Go Contact Inc.

On May 12, 2017, Devonian Health Group Inc. realized a transaction which establishes a reverse takeover of Orletto Capital Inc., such as planned in the agreement between the companies on May 15, 2015 and amended on April 7, 2016. The financial statements of the company resulting from the amalgamation of Orletto Capital Inc. and Devonian Health Group Inc. are considered to be the continuity of the financial statements of Devonian Health Group Inc. Following this transaction, the Company was extended under the Canada Business Corporations Act.

Its main activity is the development of botanical drugs. It is also involved in the development of value-added products for dermo-cosmetics. The Company has established a research focussed towards the anticipation of 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).

The Company is currently operating in a single reportable operating segment which is the pharmaceutical sector. It is committed to the development of botanical drugs and will have to obtain necessary funding to continue its operations until the commercialization phase of its products.

2. BUSINESS ACQUISITION

On February 1, 2018 the company acquired a 100% of the outstanding shares of Altius Healthcare Inc, on a cash free, debt free basis, in exchange for 8,403,361 units of Devonian, which are being kept under escrow for 36 months following the date of the transaction. Each unit is comprised of one Subordinated Voting Share and one common share purchase warrant giving the right to its holder to subscribe to one Subordinated Voting Share at a price of \$1.19 per Subordinated share for a period of 36 months following their issuance.

Altius' current portfolio is comprised of two pharmaceutical drugs.

Altius is a specialty pharmaceutical company with a primary focus of acquiring and in-licensing safe and innovative medicines and healthcare products designed to help people of all ages live healthier lives. Altius then leverages its expertise in the commercialisation activities required to successfully launch and distribute these medicines in Canada. The teams diverse experience and expertise draws from nearly 40 years of producing, importing, marketing and distributing branded and generic medicines.

The transaction provided a revenue generating subsidiary for Devonian along with commercialisation expertise for Devonian's product portfolio.

The purchase price was allocated to the identifiable assets acquired based on their fair values presented below:

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

"Unaudited"

2. BUSINESS ACQUISITION (continued)

Assets Acquired

Cash	\$ 201,944
Accounts Receivable	1,001,200
Prepaid Expenses	35,030
Inventory	389
Sales Tax Receivable	90,860
Other intangibles (DIN)	2,373,665
Customer Relationships	1,254,227
Goodwill and other unidentified intangibles	<u>4,837,700</u>
	\$ 9,795,015

Liabilities Acquired

Accounts Payable	242,086
Corporate Taxes Payable	58,000
Accrued Liabilities	656,315
Deferred Income Taxes	961,392
Long Term Liabilities	<u>515,879</u>

Net assets acquired, and total consideration paid \$ 7,361,343

3. GOING CONCERN ASSUMPTION

These financial 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 financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or on the discharge or classification of liabilities, should the Company be unable to continue its business in the normal course. The Company has incurred losses since its inception and anticipates that losses will continue for the foreseeable future. Furthermore, the Company has not completed the development of any product likely to generate the level of sales necessary to enable the Company to continue its operations without outside financing. The Company's liquidity is 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 is contingent on many factors outside the Company's control and there is substantial uncertainty about the Company's ability to successfully complete such financing and agreements.

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM AND CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

4. BASIS OF PREPARATION

a) Statement of compliance

These unaudited interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and adopted by the Accounting Standards Board, including the IAS 34 standard, Interim Financial Reporting, and on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements. Certain information, in particular the accompanying notes, normally included in the annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, the interim condensed financial statements do not include all of the information required for full annual financial statements, and therefore, should be read in conjunction with the audited financial statements and the notes thereto for the year ended July 31, 2017.

These interim condensed financial statements were approved by the Board of Directors on June 26, 2018.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the financial asset measured at fair value through net income.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

d) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized in the period in which the estimates are revised and in any future periods affected by these revisions.

Information relating to critical judgments in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated interim financial statements are indicated in the annual financial statements as of July, 31 2017.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of measurement applied in these interim condensed financial statements are the same as those applied by the Company in its financial statements for the year ended July 31, 2017.

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM AND CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet effective

The International Financial Reporting Interpretation Committee (IFRC) and the International Accounting Standards Board (IASB) have published new standards whose application will be mandatory for fiscal years beginning after August 1, 2017 or subsequent years. Many of these new accounting policies will have no impact on the results and the statement of the financial position of the Company, so they are not discussed below.

6. INVENTORIES

	April 30, 2018		July 31, 2017
	(unaudited)		(audited)
Raw materials	\$ 10,878	\$	11,808
Goods in process	131,195		1,853
Finished goods	-		804
	\$ 142,073	\$	14,465

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM AND CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

7. FIXED ASSETS

							April 30, 2018	July 31, 2017
							(unaudited)	(audited)
	Building	Land	Leasehold improve- ments	Production and laboratory equipment	Computer equipment	Furniture and equipment	Total	Total
Cost								
Balance, beginning of period	\$ 2,537,676	\$ 562,324	\$ 2,100	\$ 1,543,990	\$ 20,568	\$ 62,100	\$ 4,728,758	\$ 4,728,758
Acquisitions	-	-	-	-	-	-	-	-
Balance, end of period	2,537,676	562,324	2,100	1,543,990	20,568	62,100	4,728,758	4,728,758
Accumulated amortization								
Balance, beginning of period	231,374	-	840	347,637	14,352	27,872	622,075	345,529
Amortization expenses	76,749	-	1,280	116,319	5,128	9,288	207,744	276,546
Balance, end of period	308,123	-	2,100	462,956	19,480	37,160	829,819	622,075
Carrying value, end of period	\$ 2,229,553	\$ 562,324	\$ -	\$ 1,081,034	\$ 1,088	\$ 24,940	\$ 3,898,939	\$ 4,106,683

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

8. LONG-TERM DEBT

	April 30, 2018	July 31, 2017
Loan, secured by a hypothec on the universality of movable and immovable property, tangible and intangible, present, of a carrying value of \$8,924,938, and future of the Company, bearing interest at the lender’s variable rate plus 6%, repayable in monthly instalments of \$53,449, maturing in 2023	\$ 3,253,180	\$ 3,259,686
Current portion	641,388	160,347
	2,611,792	\$ 3,099,339
Non-interest-bearing loan between Altius Healthcare Inc and Aspri Pharma with no fixed repayment terms. Loan is for DIN purchase and general business operations. The loan must be repaid by Altius Healthcare Inc within 2 years from February 1, 2018, failing which the purchase price of Altius Healthcare Inc will be reduced by the value of said loan then outstanding through a reduction of Shares issued to Altius Healthcare Inc	652,629	-
	3,264,421	3,099,339

9. SHAREHOLDERS’ EQUITY

Description of authorized share capital

An unlimited number of subordinate voting shares, exchangeable subordinate voting shares and multiple voting shares, participating, without par value, non-cumulative dividend

The subordinate voting shares, exchangeable subordinate voting shares and multiple voting shares are handled as if they were of one and the same category.

The holders of subordinate voting shares and exchangeable subordinate voting shares are entitled to receive notice, and to attend and vote at all meetings of the shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the Canada Business Corporations Act (CBCA). Each subordinate voting share and each exchangeable subordinate voting share confers the right to one vote per share.

The holders of multiple voting shares are entitled to receive notice, and to attend and vote at all meetings of the shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the CBCA. Each multiple voting share confers the right to six votes per share. Each multiple voting share may, at any time, be exchanged into one subordinate voting share. Ten years after the Qualifying Transaction, the authorized holder, without any further action, shall automatically be deemed to

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

9. SHAREHOLDERS' EQUITY (continued)

have exercised their right to exchange all of the multiple voting shares held by such holder, into fully paid and non-assessable subordinate voting shares of the Company, on a share for a share basis.

Description of authorized share capital

The exchangeable subordinate voting shares are automatically exchanged into subordinate voting shares, without any further intervention on the part of the Company or the holder of such shares in accordance with the following exchange schedule, provided however that the Board of Directors may, in its sole discretion, accelerate the exchange schedule: 20% on the effective date of the Qualifying Transaction, 10% six months following the effective date of the Qualifying Transaction, 20% twelve months following the effective date of the Qualifying Transaction, 20% eighteen months following the effective date of the Qualifying Transaction and 30% twenty-four months following the effective date of the Qualifying Transaction.

	April 30, 2018	July 31, 2017
Share capital issued includes:		
67,268,148 shares (July 31, 2017 – 58,744,787)	\$ 17,259,329	\$ 10,978,344

The 67,268,148 outstanding shares as at April 30, 2018 are classified into 21,239,893 exchangeable subordinate voting shares, 26,061,733 subordinate voting shares and 19,966,523 multiple voting shares. The 21,239,893 exchangeable subordinate voting shares can be exchanged into subordinate voting shares at the rate of, 6,068,537 shares on May 18, 2018, 6,068,537 shares on November 18, 2018 and 9,102,818 shares on May 18, 2019.

Among the 67,268,148 outstanding shares as at April 30, 2018, 19,888,497 shares were escrowed, according to an escrow agreement as required by the Applicable Securities Regulations. According to this escrow agreement, the balance of 19,888,497 shares will be released at the rate of 2,260,807 shares on May 18, 2018 and on November 18, 2018, 3,333,865 shares on May 18, 2019 and on November 18, 2019 and finally, 8,699,153 shares on May 18, 2020.

On August 25, 2017, February 9, 2018 and March 20, 2018, 40,000 stock options were exercised respectively for a gross proceed of \$32,400.

On February 1, 2018, the Company acquired all of the issued and outstanding shares of Altius in exchange for the issuance of 8,403,361 units of the Company. Each unit consists of one subordinate voting share and one subordinate voting warrant at a price of \$ 1.19 per subordinate share for a period of 36 months following their issuance.

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

"Unaudited"

10. STOCK OPTIONS AND WARRANTS

a) Stock options

The following table summarizes the situation of the Company's stock option plan and the changes incurred during the nine-month period ended April 30, 2018 and the year ended July 31, 2017:

	April 30, 2018		July 31, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of year	1,897,423	\$ 0.61	-	\$ -
Options held by the directors of Orletto Capital Inc. after consolidation	-	-	200,000	0.27
Options granted to the agent during the concurrent placement	-	-	537,423	0.75
Options granted to directors and consultants	250,000	1.20	860,000	0.60
Options granted to members of management and employees	-	-	300,000	0.60
Stock option exercised	(120,000)	0.27		
Outstanding, end of year	2,027,423	\$ 0.61	1,897,423	\$ 0.61
Options exercisable, end of year	1,802,423		1,672,423	
Weighted average fair value of the options granted during the year	\$ 0.20		\$ 0.25	

The following table summarizes information about options outstanding and exercisable as at April 30, 2018:

Exercise price	Options outstanding			Options exercisable		
	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price	
\$0.27	80,000	0.05 year	\$ 0.27	80,000	\$ 0.27	
\$0.60	1,160,000	4.42 years	\$ 0.60	935,000	\$ 0.60	
\$0.75	537,423	1.28 year	\$ 0.75	537,423	\$ 0.75	
\$1.20	250,000	4.88 years	\$ 1.20	250,000	1.20	

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

10. STOCK OPTIONS AND WARRANTS

b) Warrants

The following table summarizes information about the Company’s warrants and the changes during the nine-month period ended April 30, 2018 and the year ended July 31, 2017:

	April 30, 2018		July 31, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of year	4,217,782	\$ 1.10	8,797,181	\$ 0.30
Granted	8,403,361	1.19	4,217,782	1.10
Exercised	-	-	(5,209,517)	0.30
Expired	-	-	(3,587,664)	0.30
Outstanding, end of year	12,621,143	\$ 1.16	4,217,782	\$ 1.10
Warrants exercisable, end of year	4,151,028	\$ 1.10	4,151,028	\$ 1.10
Weighted average fair value of the warrants granted during the year	\$ 0.15		\$ 0.20	

The following table summarizes information about warrants outstanding and exercisable as at April 30, 2018:

Exercise price	Warrants outstanding			Warrants exercisable	
	Number of warrants outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of warrants exercisable	Weighted average exercise price
\$1.10	4,217,782	1.28 year	\$ 1.10	4,151,028	\$ 1.10
\$1.19	8,403,361	2.76 years	\$ 1.19	-	

Among the 12,621,143 warrants, 63,241 warrants were escrowed on April 30, 2018, according to an escrow agreement required by the Applicable Securities Regulations. According to this escrow agreement, the balance of 63,641 warrants will be released at the rate of 7,027 warrants on May 18, 2018 and November 18, 2018, 10,541 warrants on May 18, 2019 and on November 18, 2019 and finally, 28,105 warrants on May 18, 2020.

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

11. RELATED PARTY TRANSACTIONS

The principal officers of the Company are the President and the Directors. During the nine-month period ended April 30, 2018, the Company has paid the president a total remuneration of \$173,077 (April 30, 2017 - \$ 120,000).

During the nine-month period ended April 30, 2018, the Company has paid a salary of \$23,695 to the President's spouse who was acting as the interim chief financial officer (April 30, 2017 – \$24,000).

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

12. COMMITMENTS

On June 21, 2017, the Company signed a service contract with JSS Medical Research Inc. who will oversee the conduct of his clinical trial of phase IIa, within its research project on the Atopic Dermatitis.

The contract of \$1,222,497 will be payable over twelve months. On April 30, 2018, the balance of the commitment is established at \$378,837.

On July 24, 2017, the Company signed a lease for the rental of a vehicle. On April 30, 2018, the contractual obligations under such lease amount to \$22,675.

The Company has committed to an employee to issue 20,000 stock options. The terms of these options will be determined at the time of grant.

13. FINANCIAL EXPENSES

Financial expenses for the nine-month period ended April 30, were as follows:

	April 30, 2018	April 30, 2017
Interest expenses and bank charges	\$ 2,582	\$ 12,520
Interest on long-term debt	261,499	218,345
Amortization of discount on convertible debentures	-	30,176
Interest on convertible debentures	-	63,9889
	\$ 264,081	\$ 325,030

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2018

“Unaudited”

14. LOSS PER SHARE

The following table provides a reconciliation between the weighted average number of common shares used to calculate the basic and diluted earnings per share.

	Nine-month period ended April 30, 2018	Nine-month period ended April 30, 2017
Weighted average number of common shares used to calculate the basic and diluted earnings per share	61,538,117	26,972,984

For the nine-month periods ended April 30, 2018 and April 30, 2017, the impact of the warrants is excluded from the calculation of the diluted loss per share, as they would be anti-dilutive.

15. FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to risks, the most significant of which are market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: interest rate risk, currency risk and price risk. The Company is exposed to one of these risks: the interest rate risk.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The maximum credit risk is equal to the carrying value of the subscription receivable. The Company does not expect to be exposed to a higher than normal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company has difficulty meeting its commitments associated with financial liabilities. As at April 30, 2018, the Company has current debts of \$894,140 (July 31, 2017- \$270,723). The maturity date of the long-term debt is presented in Note 7. The Company monitors its cash resources. If the Company believes that it does not have sufficient liquidity to meet its obligations, management will consider the possibility of obtaining additional funds through the issuance of shares.

Financial instruments

Financial instruments carried at fair value are classified in a hierarchy that reflects the importance of data used to compile the ratings. This hierarchy includes three levels:

Level 1 - Prices (unadjusted) in active markets for identical assets and liabilities.

Devonian Health Group Inc.

NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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“Unaudited”

15. FINANCIAL INSTRUMENTS (continued)

Level 2 - Evaluation based on data from observable market for the asset or liability, directly or indirectly obtained.

Level 3 - Evaluation based on data other than observable market for the asset or liability.

Cash has been classified in Level 1. There was no transfer between the different levels during the years.