Q2 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR THE QUARTER AND THE SIX-MONTH PERIOD ENDED JANUARY 31, 2018

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 January 31, 2018. It should be read in conjunction with the unaudited condensed financial statements of the Company for the three-month and the six-month periods ended January 31, 2018 and the audited financial statements of the Company for the year ended 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 March 28, 2018. 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. The first family of active ingredients available to the Company is currently extracted from organic baby spinach. The flagship product of the Company that is extracted, 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 center in Montmagny, Devonian also has skin care products developed with the same approach as its pharmaceutical products. The first derma-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 ™ treatment now bears the seal of approval of the Skin Health Program ™, awarded after a thorough review of the treatment by the Expert Advisory Council on Skin Health of the Canadian Association of Dermatology. This product is patent pending in several countries. Devonian intends to market its products under the PurGenesis ™ brand or as a private label with sales and marketing partners.

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.

DEVONIAN

4. HIGHLIGHTS FOR THE QUARTER ENDED JANUARY 31, 2017

On November 9, 2017, Devonian Health Group Inc. announced the initiation of a Phase IIa clinical study to evaluate the tolerability, safety and efficacy Thykamine™, in adult patients with mild-to-moderate Atopic Dermatitis (AD). Thykamine™ is an innovative product with anti-inflammatory, anti-oxidative and immunomodulatory properties for the prevention and treatment of several life-altering health conditions.

The randomized, double-blind, parallel-group, placebo-controlled study is being conducted at six (6) clinical centers in Canada. Eligible adult patients with mild-to-moderate AD receive one of 3 concentrations of Thykamine™ cream (0.05%, 0.1% and 0.25%) or placebo. The cream is applied twice a day for 28 days to all areas of the skin that are affected by atopic dermatitis, excluding the palms, soles of the feet and scalp. This Phase IIa study represents the first milestone of the Atopic Dermatitis clinical development program.

About Atopic Dermatitis **(**AD**)**

Atopic dermatitis (AD), also known as eczema, is a type of inflammation of the skin. It results in itchy, red, swollen, and cracked skin that may lead to secondary infection. The condition typically starts in childhood with changing severity over the years. Although the cause of AD is unknown, it is believed to involve genetics, a compromised immune system and can be triggered by environmental factors. AD is the most common skin disease[1].and its prevalence continues to increase worldwide. In the United States, the incidence has been reported to be 10-20% of children with new diagnoses at almost 11% per year. The severity of AD can be categorized into three stages, mild, moderate and severe. The mild and moderate forms constitute approximately 67% and 26% respectively of the AD childhood patient population. A similar distribution has been reported in the adult patient population (71% and 26% respectively). There is currently a high unmet need for new, effective and well-tolerated treatment options in AD.

On November 16, 2017, the Company announced the filing of new patent application for Thykamine™. The patent application covers the use of Thykamine™ for the prevention and/or treatment of cardiovascular diseases.

During the quarter ended January 31, 2018, the Company entered into an agreement for the acquisition of all the issued and outstanding shares of Altius Healthcare Inc. (the "Acquisition"), a corporation governed by the Business Corporation Act (Ontario) that owns and operates the business of producing, importing, marketing and distributing branded and generic medicines ("Altius"). It is expected that Altius will maintain its existing operations as a new division of Devonian. Altius will continue to acquire in-license and distribute medicines for the Canadian market. The Acquisition is being made pursuant to the terms of a share purchase agreement entered into among Devonian, Altius' shareholders and Altius and pursuant to which, conditional to the Corporation fulfilling all of the requirements of the TSX Venture Exchange provided in its conditional approval, the Company will acquire all of the issued and outstanding shares of Altius (the "Shares") in exchange for the issuance of 8,403,361 units of the Corporation. (the "Purchase Price"). Each unit is comprised of one subordinate voting share (the "Subordinate Voting Shares") and one common share purchase warrant (the "Warrants"). Each Warrant gives the right to its holder to subscribe one Subordinate Voting Share at a price of $1.19 per Subordinate Share for a period of 36 months following their issuance. This Transaction is based on a debt free cash free basis at the closing date and the Purchase Price could be adjusted on reception of the closing working capital statement to be provided by Altius. The Subordinate Voting Shares are being kept under escrow, for a period of thirty-six (36) months. Altius' current portfolio is comprised of two pharmaceutical drugs. Aggregate revenues of these two Altius' current portfolio is comprised of two pharmaceutical drugs. Aggregate revenues of these two pharmaceuticals grew from $2.4 million to $9.7 million for the fiscal year ended December 31st of 2015 and 2016 respectively. For the period of nine-month ended on September 30th, 2017, aggregate revenues totaled $5.2 million. The Acquisition brings sales and marketing acumen to Devonian. The compelling financial and operational platform we are creating through this Acquisition will leave Devonian well positioned to continue its growth and value for our shareholders. All securities to be issued as part of the Acquisition will be subject to a restriction period of four months and a day.

Sybil Dahan, a pharmaceutical executive with more than 29 years of experience, will continue as President of Altius.

About the transaction

The Corporation entered into, on November 7, 2017, a letter of intent in connection with the Acquisition negotiated between parties at arm's length, pursuant to which it was agreed that Ms. Sybil Dahan, following the completion of the Acquisition, be proposed as a director of the Corporation. Due to the delays associated with the negotiation of the definitive terms of the proposed acquisition, and in the interest of transparency toward the shareholders of the Corporation, it was agreed between the parties to propose to the shareholders, at the at the annual and special general meeting of shareholders of the Corporation held on January 11, 2018, Ms. Sybil Dahan and Mr. Terry L. Fretz as nominees for directorship. At this meeting, the shareholders voted in favor of the election of Ms. Sybil Dahan and Mr. Terry L. Fretz.

About Altius Healthcare

Based in Concord, Ontario, Altius Healthcare 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. For more information, visit www.altiushealthcare.ca

On January 31, 2018 the Company held his annual and special general meeting of shareholders.

5. SUMMARY OF OPERATING RESULTS FOR THE QUARTER ENDED JANUARY 31, 2017

Net loss

For the quarter ended January 31, 2018, the net loss amounted to $783,608 ($0.013) per share whereas it amounted to $1,427,486 ($0.024) per share for the six-month period ended at the same date. For the same corresponding periods ended January 31, 2017, the Company realized a net loss of $598,663 ($0.022) per share and $1,000,049 (0.037) per share. This decrease is essentially attributable to the increase of the research and development expenses incurred during semester ended January 31, 2018, the increase of the general administration expenses, partly compensated by the decrease of the financial expenses. The Company, which currently has no sales, incurs expenses in operating costs, including financial and administrative costs as well as research and development costs necessary for the development of its products and for the preparation of its clinical trials.

Revenues

During the three-month and the six-month period ended January 31, 2018, no revenues were recorded by the Company. For the same corresponding period in 2017, no revenues were recorded.

However, on September 28, 2017, the Company announced that it has signed its first exclusive marketing and distribution agreement with Altius Healthcare Inc. to distribute its proprietary Purgenesis™ anti-aging treatment in Canada. The exclusive distribution agreement includes upfront payment for each treatment as well as up to 25% royalties based on sales.

Research and development expenses

The breakdown of research and development expenses is as follows:

	Three-month period ended January 31,2018	Three-month period ended January 31, 2017	Six-month period ended January 31,2018	Six-month period ended January 31, 2017
	$	$	$	$
Patents	19,650	53,630	35,579	81,327
Salaries and employee benefits	26,046	30,809	53,026	82,104
Dermatitis Atopic, Phase II	231,280	-	410,930	
Quality assurance process & offsite extraction activities	300	12,165	25,620	13,665
New products development	-	-	1,350	
Statistical analyzis		1,786		1,786
Applications study of Thykamine™	-		7,200	
	277,276	98,390	533,705	178,882

During the quarter ended January 31, 2018, research and development expenses amounted to $277,276. These expenses are mainly attributable to the costs incurred in the clinical study on atopic dermatitis, to the fees related to patents, the payroll of employees assigned to this sector. For the six-month period ended January 31, 2018, the total research and development expenses of $533,705 were incurred primarily in the clinical study on atopic dermatitis, the fees related to patents, the payroll of employees assigned to this sector and the offsite extraction activities. Research and development expenses of $98,390 and $178,882 were incurred for the same comparative periods in 2017. The increase over the corresponding quarter of 2017 is mainly due to costs incurred in the clinical study initiated in June 2017, and for the offsite extraction activities partially offset by a decrease in the payroll, following the departure of an employee assigned to this sector in October 2016, and the expenses for the maintenance of the patents.

Operating expenses

General administrative expenses

The breakdown of General administrative expenses is as follows:

	Three-month period ended January 31, 2018	Three-month period ended January 31, 2017	Six-month period ended January 31, 2018	Six-month period ended January 31, 2017
	$	$	$	$
Salaries and employee benefits	97,324	102,475	165,525	201,031
Stock based compensation	7,156	-	14,312	-
Professional fees	117,626	70,941	144,592	85,511
Depreciation	69,745	69,745	139,490	139,490
Property taxes	27,161	26,799	54,073	53,324
Others	98,991	63,882	198,894	105,082
	418,003	333,842	716,886	584,438

For the quarter ended January 31, 2018, employees' salaries and benefits in the amount of $97,324 are mainly related to the members of the management. For the same period ended January 31, 2017, salaries and benefits expenses of $102,475 were also attributable to the members of the management. For the six-month period ended January 31, 2018, salaries and benefits expenses amount to $165,525 whereas for the same corresponding period of 2017 these expenses amounted to $201,031. This decrease in the payroll is following the departure of an employee during the year ended July 31, 2017 partly compensated by benefits granted to the president.

For the three-month period and the six-month period ended January 31, 2018, a stock-based compensation expense of $7,156 and $14,312 (a non-cash charge) was recorded following the granting of 1,160,000 options to members of the Board of Directors, to consultants and employees, in accordance with the stock option plan approved by the Board of Directors on January 25, 2016 and at the shareholders' meeting on November 25, 2016. For the same corresponding period of 2016, no stock-based compensation expense was recognized as the plan was not yet in place.

For the three-month period ended January 31, 2018, professional fees of $117,626 are mainly related to the annual financial statements of the Company, corporate work and fees incurred for the annual and special general meeting of shareholders and for the acquisition of Altius Healthcare. For the six-month period ended January 31, 2018, professional fees amounted to $144,592. For the same corresponding periods in 2017, professional fees of $70,491 and $85,511 were mainly related to corporate work, costs incurred for the annual financial statements and for the amendments to the Initial Prospectus dated October 27, 2016. This increase compared to the previous comparative periods is mainly due to legal expenses incurred in the preparation of the annual meeting of shareholders as well as the acquisition of Altius Healthcare.

For the three-month period and the six-month period ended January 31, 2018, amortization expenses of $69,745 and $139,490 is mainly related to all tangible assets acquired in April 2015. For the same periods in the prior year, amortization expense was also $69,745 and $139,490 and was also attributable to tangible assets acquired in 2015.

For the three-month period ended January 31, 2018, the property taxes of $27,161 are related to the Montmagny site while they were $26,799 for the same period in 2017. For the six-month period ended January 31, 2018, property taxes were $ 54,073 compared to $ 53,324 for the six-month period ended January 31, 2017.

For the three-month period ended January 31, 2018, other expenses of $98,991 are mainly attributable to the Montmagny site's operating expenses, travel expenses, office expenses and expenses related to the Company's shares trading on the TSX(V). For the six-month period ended January 31, 2018, these expenses amounted to $198, 894. For the same periods last year, the other fees were $ 63,882 and $ 105,082 respectively.
This increase, compared to the same periods last year, is mainly due to the Company's shares trading on the TSX (V), and travel expenses.

Financial expenses

During the three-month period and the six-month period ended January 31, 2018, financial expenses of $88,329 and $176, 895 are mainly related to long-term debt. For the corresponding period of 2017, financial expenses of $167,410 and $325,030 were mainly related to long-term debt and to the debentures. The decrease from the same period in 2017 is due to lower financial expenses related to the debentures that were converted on May 12, 2017 into Company securities.

6. SELECTED QUATERLY FINANCIAL INFORMATION

	Quarter ended								
	January 31 2018	October 31 2017	July 31 2017	April 30 2017	January 31 2017	October 31 2016	July 31 2016	April 30 2016	January 31 2016
		$	$	$	$	$	$	$	$
Revenues	-	-	-	-	-	-	-	-	-
Net loss	(783,608)	(643,878)	(2,770,858)	(604,808)	(598,663)	(401,386)	(391,771)	(445,582)	(521,317)
Basic loss per share	(0.013)	(0.011)	(0.050)	(0.021)	(0.022)	(0.014)	(0.016)	(0.018)	(0.021)
Diluted loss per share	(0.013)	(0.011)	(0.050)	(0.021)	(0.022)	(0.014)	(0.016)	(0.018)	(0.021)

7. FINANCIAL SITUATION

Liquidity and capital resources

As at January 31, 2018, the Company had cash totaling $1,085,771 compared to $2,204,883 as at July 31, 2017. For the period ended January 31, 2018, the net cash decrease of $1,119,112 is mainly attributable to expenses totaling $1,123,406 incurred to finance general operations.

Total assets as at January 31, 2018 were $10,239,348 compared to $11,558,386 as at July 31, 2017. The decrease of $1,319,038 is mainly due to the cash decrease of $1,119,112 and the amortization expenses of $139,490 related to all tangible assets. On January 31, 2018, total liabilities were $3,453,398 compared to $3,370,062 as at July 31, 2017, an increase of $83,336, mainly due to the increase of the payables by $89,842, partly compensated by the long-term debt decrease of $6,506.

Financing activities

The increase in cash generated by financing activities for the period ended January 31, 2018, is attributable to proceeds of $10,800 for the issuance of new shares following the exercise of 40,000 stock options, partly compensated by a long-term debt reimbursement of $6,506.

To date, the Company has financed its operations through private placements of common shares and warrants as well as the issuance of convertible debentures and public shares.

The Company's profitability is based on factors such as its ability to market, sell and distribute its derma-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

On March 28, 2018, the number of issued and outstanding shares was 67,228,148 while the number of outstanding options granted under the stock option plan was 1,530,000. The Company also had 4,217,782 warrants entitling the holders to subscribe for one Subordinate Voting Share of the Company at a price of $1.10 per share as well as 8,403,361 warrants entitling the holders to subscribe for a subordinate voting share of the Company at a price of $ 1.19 per share. Finally, there were 537,423 broker warrants issued and outstanding.

9. RELATED PARTY TRANSACTIONS

The principal officers of the Company are the President, and the directors. During the three-month period and the six-month period ended January 31, 2018, the Company paid the president a total compensation of $76,769 and $125,384 respectively.

During the three-month period and the six-month ended January 31, 2018, the Company paid $8,000 and $16,000 respectively to the President's spouse who was acting as the Interim Chief Financial Officer.
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 come from its operating activities, namely its accounts payable and the recovery of taxes paid on its purchases. Its financing activities carried out during the fiscal year ended July 31, 2017 resulted in the issuance of convertible debentures and securities of the Company whereas during the six-month period ended January 31, 2018, they gave rise to the issuance of shares following the exercise of stock options.

Exchange rate risk
During the six-month period ended January 31, 2018, 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 loan with Investissement Québec, which bears interest at a variable rate. Based on the net exposures presented above as at January 2018, 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 $32,597 of the net loss of the Company for the full year.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations related to financial liabilities. On January 31, 2018 the Company had current liabilities of $681,259. 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.

Risks and uncertainties

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 a number of 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. SUBSEQUENT EVENTS

On February 1, 2018, the Company completed the acquisition of Altius. In connection with the acquisition of Altius, the Company issued 8,403,361 units of the company. Each unit consists of one subordinate voting share (the "Subordinate Voting Shares") and one Subordinate Voting Share purchase warrant (the "Warrants") at the subscription price of $ 1.19 per subordinate share, for a period of thirty-six (36) months following their issuance. The Subordinate Voting Shares will be held in escrow for a period of thirty-six (36) months.

On March 16, 2018, the board of directors approved the grant of 250,000 options to certain directors and consultants of the Corporation. These options are exercisable at a price of $ 1.20 per subordinate voting share for a period of five (5) years from the date of grant.

12. 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 audited financial statements for the year ended July 31, 2017 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 three-month period ended January 31, 2017, 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. In addition, the Company has not developed any product capable of generating the volume of sales necessary to enable it to continue its activities without the intervention of external financing. The liquid assets of the Company are limited considering current projects. As a result, the Corporation's ability to continue as a going business is contingent upon its ability to obtain additional funding in a timely manner in order to successfully carry out its research and development projects and commercialize its products, to continue operations profitable and generate positive cash flows from operations. There can be no assurance in this regard.

Additional funds will continue to be required indefinitely as it is impossible to estimate when the Company will achieve profitability. Management is pursuing negotiations to obtain additional financing or to enter into various agreements to generate positive cash flow. The success of these negotiations is based on a number of factors beyond the control of the Company and its ability to successfully complete such financings is tinged with uncertainty.