



Devonian Health Group Inc.

Interim Condensed Financial Statements
For the three-month and nine-month period
ended April 30, 2017

Devonian Health Group Inc.

INTERIM CONDENSED STATEMENTS OF INCOME

"Unaudited"

	For the three-month period ended April, 30		For the nine-month period ended April, 30	
	2017	2016	2017	2016
RESEARCH AND DEVELOPMENT EXPENSES	\$ 91,216	\$ 164,197	\$ 270,098	\$ 462,367
OPERATING EXPENSES				
Administrative expenses	362,033	235,780	946,471	910,793
Financial expenses (Note 12)	151,559	147,665	476,589	434,605
	513,592	383,445	1,423,060	1,345,398
LOSS FROM OPERATIONS	(604,808)	(547,642)	(1,693,158)	(1,807,765)
OTHER ITEM				
Gain on a settlement of a debt	-	-	-	45,531
LOSS BEFORE INCOME TAXES	(604,808)	(547,642)	(1,693,158)	(1,762,234)
INCOME TAXES	-			
Deferred	-	(102,060)	(88,301)	(330,960)
NET LOSS	\$ (604,808)	\$ (445,582)	\$ (1,604,857)	\$ (1,431,274)
Loss per share (Note 13)				
Basic and diluted	\$ (0,021)	\$ (0,018)	\$ (0,058)	\$ (0.057)

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

Devonian Health Group Inc.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended April 30, 2017

"Unaudited"

	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	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares and warrants	1,976,337	3,485,560	(1,764,403)	3,697,494	730,806	1,045,670	(137,905)	-	-	(1,604,857)	(1,604,857)
Equity component of convertible debentures (Note 8)	-	-	-	-	-	-	-	84,965	-	-	84,965
Tax effect of convertible debentures (Note 8)	-	-	-	-	-	-	-	(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

Les notes complémentaires font partie intégrante de ces états financiers.

DEVONIAN HEALTH GROUP inc.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended April 30, 2016

(nonaudited)

	Number			Amount						
	Common shares issued	Warrants issued	Total	Common shares issued	Warrants issued	Equity component of convertibles debt	Contributed surplus	Retained earnings	Total	
BALANCE, as at July 31, 2015	24,989,973	10,094,740	35,084,713	\$ 2,645,522	\$ 704,389	-	\$ 196,786	\$ 164,786	\$ 5,198,483	
Net loss	-	-	-	-	-	-	-	(143,127.4)	(143,127.4)	
Equity component of convertible debentures (Note 8)	-	-	-	-	-	322,677	-	-	322,677	
Tax effect of convertible debentures (Note 8)	-	-	-	-	-	(59,409)	-	-	(59,409)	
BALANCE, as at April 30, 2016	24,989,973	10,094,740	35,084,713	\$ 2,645,522	\$ 704,389	263,268	\$ 196,786	\$ 210,512	\$ 4,020,477	

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

Devonian Health Group Inc.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at	April 30, 2017	July 31, 2016
	(unaudited)	(audited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 543,996	\$ 498,496
Cash held in trust	9,089	29,900
Commodity taxes recoverable	18,304	14,304
Subscription receivable	150,136	135
Amount receivable, without interest	23,591	23,591
Inventories (Note 5)	28,361	37,402
Prepaid expenses	4,058	10,878
	777,535	614,706
DEFERRED SHARE ISSUANCE COSTS	318,038	174,185
SECURITY DEPOSIT, bearing interest at 0.78%, maturing in 2019	14,400	14,400
FIXED ASSETS (Note 6)	4,176,431	4,383,229
INTANGIBLE ASSETS	4,888,000	4,888,000
	\$ 10,174,404	\$ 10,074,520

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

Devonian Health Group Inc.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at	April 30, 2017	July 31, 2016
	(unaudited)	(audited)
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 744,838	\$ 392,965
Current portion of long-term debt	641,388	4,390,726
	1,386,226	4,783,691
LONG TERM DEBT (Note 7)	3,268,298	
CONVERTIBLE DEBENTURES TO BE ISSUED (Note 8)	-	15,000
CONVERTIBLE DEBENTURES ISSUED (Note 8)	1,289,932	1,076,259
DEFERRED INCOME TAXES		72,156
	5,944,456	5,947,106
SHAREHOLDERS' EQUITY		
Share capital issued	3,863,614	3,132,808
Share capital subscribed	1,045,670	-
Warrants	474,532	612,437
Equity component of convertible debentures (Note 7)	435,463	366,643
Contributed surplus	196,786	196,786
Deficit	(1,786,117)	(181,260)
	4,229,948	4,127,414
	\$ 10,174,404	\$ 10,074,520

Statutes of incorporation and nature of activities (Note 1)

Going concern assumption (Note 2)

On behalf of the Board,

 _____, Director

_____, Director

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

Devonian Health Group Inc.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended April 30,

2017

2016

"Unaudited"

OPERATING ACTIVITIES

Net loss	\$	(1,604,857)	\$	(1,431,274)
Items not affecting cash				
Amortization of fixed assets		206,798		206,299
Amortization of discount on convertible debentures		49,696		14,828
Interest on convertible debentures		95,442		76,410
Gain on settlement of debt				(45,531)
Deferred income taxes		(88,301)		(330,960)
		(1,341,222)		(1,510,228)
Net change in non-cash working capital items		177,425		(223,867)
		(1,163,797)		(1,734,095)

INVESTING ACTIVITIES

Increase in deferred share issuance costs		(107,546)		-
Acquisition of fixed assets		-		(12,321)
		(107,546)		(12,321)

FINANCING ACTIVITIES

Repayment of long-term debt		(481,039)		-
Issuance of shares and warrants		1,638,571		-
Debentures issued		138,500		60,000
		1,296,032		60,000

DECREASE IN CASH AND CASH EQUIVALENTS 24,689 (1,686,416)

CASH AND CASH EQUIVALENTS, beginning of period 528,396 2,101,689

CASH AND CASH EQUIVALENTS, end of period \$ 553,085 \$ 415,273

Cash and cash equivalents include:

Cash	\$	543,996	\$	370,273
Cash and equivalents		9,089		45,000
	\$	553,085	\$	415,273

Cash flows from operating activities include interest of \$ 318,195.

Share issuance costs of \$133,351 (2016 - \$67,819) are recognized in accounts payable as at April 30, 2017.

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

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Company was incorporated under the Québec Business Corporations Act on March 27, 2015. 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. 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 liquidities are minimal. Consequently, the Company's ability to continue as a going concern is uncertain and mandatorily depends on its ability to obtain, in a timely matter, further financing and financial support from its creditors 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.

Additional funds will continue to be required for an indefinite period as no estimate can be made as to when the Company will achieve profitability. Management continues to negotiate further financing. 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 future financings.

On April 5, 2016, the Company signed a commitment letter with Richardson GMP Limited, whereby it committed itself, on a commercially reasonable efforts basis, for a public placement of a minimum of \$6,000,000 and a maximum of \$10,000,000. Under this agreement, the issuer resulting from the merger between the Company and Orletto Capital Inc. will issue a minimum of 8,000,000 units and a maximum of 13,333,333 units. There is no guarantee that the financing will be completed as planned. On April 13, 2017, the Company and the Agent agreed to reduce the minimum public offering to \$4,000,000. The Resulting Issuer will therefore issue a minimum of 5,333,333 units under the same conditions as those already established.

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

3. 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, 2016.

These interim condensed financial statements were approved by the Board of Directors on June 26, 2017.

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 financial statements is as follows:

- Deferred income taxes;
- Going concern;
- Value of fixed assets and intangible assets;
- Capitalization of deferred costs related to share issuance.

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

3. BASIS OF PREPARATION (continued)

d) Use of estimates and judgments

The estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

- Fair value of shares and warrants;
- Useful life of fixed assets and intangible assets;
- Value of equity component of convertible debentures;
- Potential tax benefits.

4. 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, 2016.

New standards adopted

IAS 16 - Fixed Assets and IAS 38 - Intangible Assets

IASB issued an amendment to these standards. Entitled "Clarification of Acceptable Methods of Depreciation and Amortization", the amendment specifies that a revenue-based depreciation and amortization method can no longer be used. The depreciation and amortization method must reflect the consumption of the future benefits of an asset. The amendment of these standards had no impact on the Company's financial statements.

New standards and interpretations not yet adopted

The International Financial Reporting Interpretation Committee (IFRIC) and the International Accounting Standards Board (IASB) have published new standards whose application will be mandatory for fiscal years beginning after August 1, 2016 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.

IAS 7 - Statement of Cash Flows

In February 2016, IASB published amendments of limited scope to IAS 7 - Statement of Cash Flows to require that companies provide information concerning changes in their financing liabilities. The amendments will apply prospectively to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Company has not yet assessed the impact of these amendments on its financial statements.

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted

IAS 12 - Income Taxes

In January 2016, IASB published amendments to IAS 12 - Income Taxes on the accounting of future tax assets relating to unrealized losses. Essentially, these amendments aim to clarify when a future tax asset should be recognized in regard to an unrealized loss. These amendments will apply to the financial statements of fiscal years beginning on or after January 1, 2017. The Company has not yet assessed the impact of these amendments on its financial statements.

IFRS 9 - Financial Instruments

In July 2014, IASB issued IFRS 9 - Financial Instruments to replace IAS 39 on the classification and measurement of financial assets and liabilities, amortization and hedge accounting. This standard is retrospectively applicable to financial statements relating to fiscal years beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 - Revenue from Contracts with Customers to replace IAS 18 and IAS 11. This new standard provides guidance on the method to be used and when to recognize revenue as per a unique model, except for loan contracts, financial instruments and insurance contracts. This standard is retrospectively applicable from January 1, 2018. The Company will assess the impact of this new standard when it will recognize revenues from its ordinary activities.

IFRS 16 - Leases

This standard, issued in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. However, lessor accounting remains largely unchanged in regard to IAS 17 and the distinction between operating and finance leases is retained. This standard will apply to fiscal years beginning on or after January 1, 2019. The Company has not yet assessed the impact of this standard on its financial statements.

5. INVENTORIES

	April 30, 2017	July 31, 2016
	(unaudited)	(audited)
Raw materials	\$ 17,215	\$ 17,215
Goods in process	10,125	17,233
Finished goods	1,021	2,954
	\$ 28,361	\$ 37,402

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS As at April 30, 2017

"Unaudited"

6. FIXED ASSETS

									April 30, 2017	July 31, 2016
									(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	\$ 4,716,437		
Acquisitions	-	-	-	-	-	-	-	12,321		
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	128,760	-	420	193,401	7,496	15,452	345,529	69,637		
Amortization expenses	76,749	-	314	115,319	5,128	9,288	206,798	275,892		
Balance, end of period	205,509	-	734	308,720	12,624	24,741	552,327	345,529		
Carrying value, end of period	\$ 2,332,167	\$ 562,324	\$ 1,366	\$ 1,235,270	\$ 7,944	\$ 37,359	\$ 4,176,431	\$ 4,383,229		

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

7. LONG-TERM DEBT

As at July 31, 2016, the Company was in default with its commitment to maintain financial ratios. The Company has obtained a waiver letter from Investissement Québec with regard to its non-compliance with the ratios. Consequently, the debt was reclassified into long-term liabilities.

8. CONVERTIBLE DEBENTURES

On August 24, 2015, the Company issued convertible debentures totalling \$1,110,000. On March 30, 2016, the Company issued convertible debentures totalling \$45,000. On May 2, 2016, the Company issued convertible debentures for \$20,000. These debentures bear interest at 10% compounded and capitalized annually and expire five years after their issuance. The Company benefits from a moratorium of five years on interest payments beginning on issuance dates.

On June 20, 2016 and September 30, 2016, the Company issued convertible debentures for respective amounts of \$220,400 and \$153,500. The debentures have the same rights as the debentures issued on August 24, 2015, March 30, 2016 and May 2, 2016 except that they do not bear interest.

The debentures will be automatically convertible into securities of the Company at the same prices and terms as the securities that will be issued to subscribers pursuant to a private placement, concurrent with the listing of the Company's shares on a recognized stock exchange. The holders of debentures issued on August 24, 2015, on March 30, 2016 and on May 2, 2016, will be entitled to a discount on the shares and, in the event units are offered under the concurrent placement, on the shares comprised in the units, of 15%, 20% or 25% depending on their dates of listing, while the holders of debentures issued on June 20, 2016 and September 30, 2016 will be entitled to a discount of 15% on the shares or in the event units are offered under the concurrent placement, on the shares comprised in the units on the listing of the Company's shares on a recognized stock exchange. Should the concurrent placement not occur, the debentures will be convertible into shares of the Company at a price per share equivalent to the total value of the Company, as negotiated with the brokerage firm which will act as sponsor for the Company's entry on a stock exchange, divided by the number of issued and outstanding shares.

In the event warrants or warrants comprised in units are offered under the concurrent private placement, holders shall be deemed to be holders of a number of warrants calculated in accordance with the expected ratio for the units issued pursuant to the private placement concurrent with the listing of the shares on a stock exchange.

The exercise price of the warrants or the warrants comprised in the units, in the event units are offered pursuant to the concurrent private placement, will be identical to the exercise price of the warrants or the warrants comprised in the units offered at the terms of the concurrent private placement.

Thirty-six months after the debentures are signed, or at any time a sale transaction occurs, holders will be entitled to convert the entire capital and interest into shares of the Company at a price equal to the amount of capital and interest to be converted, divided by \$90,000,000 divided by the number of issued and outstanding shares at the date the conversion notice is sent.

Thirty-six months after the debentures are signed, the Company may redeem the debentures at the amount of capital and interest plus a premium of 20% of the capital. However, the holders would have the right, if applicable, to convert their debenture within five days at the conversion rate expected when the debenture is converted after thirty-six months or when a sale transaction occurs. As long as the holders are shareholders or creditors of the Company, unless it has received the prior written consent of the holders, the Company is committed not to reimburse or pay any debt or advance due to any of its shareholders, not to declare or pay dividends and not to redeem or purchase shares from its share capital.

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

8. CONVERTIBLE DEBENTURES (continued)

The fair value of the debentures has been established at \$68,535 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity	5 years
Nominal interest rate	0%
Effective interest rate	17.5%

The amount classified as equity has been established at \$84,965 resulting from the difference between the nominal value of the debentures, \$153,500, and their fair value of \$68,535. The amount of the debentures, classified as equity and net of future income taxes of \$16,145, has been recorded under "Equity component of convertible debentures".

The following table presents a reconciliation of changes in convertible debentures for the nine-month period ended April 30, 2017:

	April 30, 2017 (unaudited)	July 31, 2016 (audited)
BALANCE , beginning of period	\$ 1,076,259	\$ -
Issue of convertible debentures	153,500	1,395,400
Amount classified as equity	(84,965)	(450,299)
Fair value of convertible debentures	1,144,794	945,101
Amortization of discount	49,696	25,143
Capitalized interest	95,442	106,015
BALANCE , end of period	\$ 1,289,932	\$ 1,076,259

Two debentures of \$20,000 each are held by two directors.

9. SHAREHOLDERS' EQUITY

Share capital

As at April 30, 2017, the Company had 28,284,091 Class A shares outstanding (July 31, 2016 - 26,307,754).

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

10. RELATED PARTY TRANSACTIONS

The principal officers of the Company are the President and the Chief Financial Officer. During the nine-month period ended April 30, 2017, the Company has paid them a total remuneration of \$240,000.

During the nine-month period ended April 30, 2017, the Company has paid a salary of \$24,000 to the President's spouse.

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

11. COMMITMENTS

The Company is committed towards two employees to issuing options to purchase 175,000 shares when a stock option plan will be in place.

12. FINANCIAL EXPENSES

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

	April 30, 2017	April 30, 2016
Interest expenses and bank charges	\$ 13,256	\$ 2,600
Interest on long-term debt	318,195	340,767
Amortization of discount on convertible debentures	49,696	14,828
Interest on convertible debentures	95,442	76,410
	\$ 476,589	\$ 434,605

13. EARNINGS PER SHARE

The following table provides 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, 2017	Nine-month period ended April 30, 2016
Weighted average number of common shares used to calculate the basic and diluted earnings per share	27,402,315	24,989,973

For the nine-month period ended 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.

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

14. 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.

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 period.

Fair value

The fair value of long-term debt is comparable to its carrying value, due to its variable rate.

For debentures, fair value is comparable to the book value since the rate is near the rate the Company could currently obtain for loans with similar terms and maturities.

The fair value is calculated by discounting the future contractual cash flows expected at discount rate that is the borrowing rate which the Company could currently obtain for loans with similar terms and maturities.

15. SIGNIFICANT EVENTS

On May 15, 2015, the Company reached an agreement in principle with Orletto Capital Inc., a Capital Pool Company. Under this agreement, the two companies agree to be combined by the way of a merger, share purchase or otherwise at a ratio of 20% for the shareholders of Orletto Capital Inc. and 80% for the shareholders of the Company, calculated on a fully diluted basis, but before any additional funding. On April 7, 2016, this agreement was amended with a view to be combined at a new ratio of 5% for the shareholders of Orletto Capital Inc. and 95% for the shareholders of the Company, calculated on a non-diluted basis, but before any additional funding.

On April 5, 2016, the Company signed a commitment letter with Richardson GMP Limited (Agent), whereby it committed itself, on a commercially reasonable efforts basis, for a public placement of a minimum of \$6,000,000 and a maximum of \$10,000,000. Under this agreement, the issuer resulting from the merger between the Company and Orletto Capital Inc. (Resulting Issuer) will issue a minimum of 8,000,000 units and a maximum of 13,333,333 units (Placement) at the price of \$0.75 per unit, consisting of one share and one-half of one common share purchase warrant. Each warrant will confer its holder the right to subscribe to one common share of the Resulting Issuer at the exercise price of \$1.10 per share, over a period of 24 months following the closing date of the Placement. The Agent will receive a remuneration representing 10% of gross proceeds of the Placement, as well as a non-transferable option entitling to purchase a number of common shares equal to 10% of the total units sold pursuant to the Placement, at the price of \$0.75 per common share, over a period of 24 months following the closing date of the Placement.

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

15. SIGNIFICANT EVENTS (continued)

The Qualifying Transaction, which will be completed by the conventional merger between the Company and Orletto Capital Inc., is subject to the approval of the shareholders of the Company and Orletto Capital Inc., as well as the approval of the Qualifying Transaction by the TSX Venture Exchange Inc. and the securities regulatory authorities having jurisdiction.

On September 30, 2016, the Company issued convertible debentures totalling \$153,500. These debentures contain the same rights as the debentures issued on August 24, 2015, March 30, 2016 and May 2, 2016, except that they do not bear interest and that the holders will be entitled to a discount of 15% on the shares or on the shares comprised in the units offered under the concomitant placement pursuant to the listing of the Company on a recognized stock exchange.

On November 8, 2016, the shareholders of the Company unanimously voted in favor of the proposed merger with Orletto Capital Inc. at the annual general and special meeting of shareholders. On November 25, 2016, the shareholders of Orletto Capital Inc. unanimously voted in favor of the proposed merger with the Company at the annual general and special meeting of shareholders.

On February 3, 2017, Orletto Capital Inc. filed an amended and restated prospectus dated January 31, 2017 amending and restating the prospectus dated October 27, 2016 relating to the sale and issue of units of the Resulting Issuer, for a minimum amount of \$6,000,000 and a maximum amount of \$10,000,000.

On April 13, 2017, the Company and the Agent agreed to reduce the minimum public offering to \$4,000,000. The Resulting Issuer will therefore issue a minimum of 5,333,333 units under the same conditions as those already established. On April 24, Orletto Capital Inc. filed an amended and restated prospectus dated April 21, 2017 amending and restating the amended and restated prospectus dated January 31, 2017 amending and restating the prospectus dated October 27, 2016.

On April 27, 2017, Orletto Capital Inc. announced the end of its public offering. The Society had exceeded the threshold for its minimum offering fixed at \$4,000,000 pursuant to its amended and restated prospectus dated April 21, 2017 amending and restating the amended and restated prospectus dated January 31, 2017 amending and restating the prospectus dated October 27, 2016.

On March 31, 2017, holders of warrants exercised their right to subscribe for 1,733,331 shares of the Company for an amount of \$519,999.

On April 28, 2017, holders of warrants exercised their right to subscribe for 1,752,229 shares of the Company for an amount of \$526,671.

16. SUBSEQUENT EVENTS

On May 15, 2017, Devonian Health Group Inc. announced the completion of the amalgamation and the closing for aggregate gross proceeds of \$ 4,030,674. Devonian Health Group Inc. proceeded with the issuance of the 5,374,232 units at a price of \$0.75 per Unit. Each unit consists of one subordinate voting share and one-half of one share purchase warrant. Each warrant will entitle its holder to purchase one subordinate voting share, at a price of \$1.10 per Warrant Share, until May 12, 2019. In consideration of the services rendered in connection with the Public Offering, the Agent received a cash commission equal to 10% of the gross proceeds of the Public Offering. As additional compensation, the Agent and members of its selling group have been granted an aggregate of 537,423 options, entitling its holder thereof to purchase 537,423 subordinate voting shares, at a price of \$0.75 per subordinate voting share, until May

Devonian Health Group Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at April 30, 2017

"Unaudited"

16. SUBSEQUENT EVENTS (continued)

12, 2019. On May 15, 2017, the subordinate voting shares issued in connection with the amalgamation and issued pursuant to the public offering have begun trading on the TSX-V under the symbol "GSD".