BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

Expressed in Canadian Dollars

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BioSyent

Management's Responsibility For Financial Reporting

To the Shareholders of BioSyent Inc.:

Management has prepared the interim unaudited condensed consolidated financial statements for BioSyent Inc. (the "**Company**") in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed these interim unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019.

Robert J. March

Vice-President and Chief Financial Officer, BioSyent Inc.

August 25, 2020

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

AS AT	June 30, 2020	December 31, 2019
ASSETS		
Trade and other receivables *(Note 5)*	$2,789,818	$2,083,723
Inventory *(Note 6)*	1,827,349	2,139,127
Prepaid expenses and deposits	551,947	648,781
Short term investments *(Note 8)*	7,039,105	8,531,660
Cash and cash equivalents *(Note 9)*	14,428,639	13,441,817
CURRENT ASSETS	26,636,858	26,845,108
Property and equipment *(Note 10)*	2,323,028	2,482,266
Intangible assets *(Note 11)*	966,040	1,023,378
Loans receivable *(Note 12)*	594,336	588,467
Deferred tax asset	30,366	26,095
TOTAL NON CURRENT ASSETS	3,913,770	4,120,206
TOTAL ASSETS	$30,550,628	$30,965,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$2,557,556	$2,916,834
Contract liability *(Note 13)*	132,440	99,141
Lease liability - current *(Note 14)*	148,149	144,253
Derivative liability *(Note 7)*	2,978	43,861
Income tax payable	894,476	154,952
CURRENT LIABILITIES	3,735,599	3,359,041
Deferred tax liability	92,224	102,902
Lease liability - non current *(Note 14)*	1,633,519	1,708,861
TOTAL NON CURRENT LIABILITIES	1,725,743	1,811,763
Share capital *(Note 15)*	6,410,222	7,179,617
Contributed surplus	1,361,623	1,235,549
Cumulative translation adjustment	(136,762)	(105,300)
Retained earnings	17,454,203	17,484,644
Total Equity	25,089,286	25,794,510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$30,550,628	$30,965,314

Contingencies *(Note 18)*
Commitments *(Note 19)*
Related party transactions *(Note 20)*

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

René Goehrum
DIRECTOR
August 25, 2020

Peter Lockhard
DIRECTOR

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

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Comprehensive Income
(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net revenues from contracts with customers *(Note 24)*	$4,771,255	$5,156,476	$10,834,101	$9,635,290
Cost of goods sold *(Notes 6, 16)*	1,042,960	1,085,653	2,304,063	2,044,077
Gross profit	3,728,295	4,070,823	8,530,038	7,591,213
Selling, general and administration expenses *(Note 16)*	2,774,689	3,236,061	5,698,691	5,593,577
New business development costs *(Note 16)*	19,879	21,833	28,867	28,956
Operating profit	933,727	812,929	2,802,480	1,968,680
Finance costs *(Note 14)*	23,537	-	47,152	-
Finance income *(Note 16)*	(52,751)	(90,134)	(142,971)	(213,051)
NET INCOME BEFORE TAXES	962,941	903,063	2,898,299	2,181,731
Current income tax	224,216	317,642	739,524	612,350
Deferred tax (recovery)	16,519	(105,422)	(14,949)	(99,643)
NET INCOME AFTER TAXES	722,206	690,843	2,173,724	1,669,024
OTHER COMPREHENSIVE INCOME				
Currency translation losses	(50,340)	(35,742)	(31,462)	(12,164)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$671,866	$655,101	$2,142,262	$1,656,860
Basic earnings per share *(Note 17)*	$0.056	$0.049	$0.165	$0.117
Diluted earnings per share *(Note 17)*	$0.055	$0.049	$0.163	$0.117

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

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the six months ended June 30,	
	2020	**2019**
OPERATING ACTIVITIES		
Net income after taxes	$2,173,724	$1,669,024
Items not affecting cash:		
Depreciation - property and equipment *(Note 10)*	167,522	44,181
Amortization - intangible assets *(Note 11)*	90,567	48,544
Impairment loss on intangible assets	-	424,941
Share-based payments *(Note 15)*	126,074	131,278
Change in derivative asset/liability	(40,883)	(22,157)
Current income tax	739,524	612,350
Deferred tax recovery	(14,949)	(99,643)
Cash paid for taxes	-	(335,736)
Net change in non-cash working capital items:		
Trade and other receivables	(706,095)	(926,921)
Inventory	311,778	(585,010)
Prepaid expenses and deposits	96,834	(201,548)
Accounts payable and accrued liabilities	(158,619)	(450,277)
Contract liability	33,299	(37,559)
Cash provided by operating activities	2,818,776	271,467
INVESTING ACTIVITIES		
Additions to property and equipment *(Note 10)*	(8,284)	(119,290)
Additions to intangible assets *(Note 11)*	(33,229)	(36,767)
Decrease (Increase) in short term investments	1,492,555	(1,506,766)
Loan advances and interest receivable *(Note 12)*	(5,869)	(5,722)
Cash provided by (used in) investing activities	1,445,173	(1,668,545)
FINANCING ACTIVITIES		
Payments - lease liability principal *(Note 14)*	(71,446)	-
Payments - lease liability interest *(Note 14)*	(47,152)	-
Repurchase of common shares - NCIB *(Note 15)*	(2,663,260)	(4,627,490)
Purchase of RSU Plan shares - held in trust *(Note 15)*	(463,807)	-
Proceeds from stock options exercised	-	4,724
Cash used in financing activities	(3,245,665)	(4,622,766)
Effect of foreign currency translation adjustment	(31,462)	(12,164)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	986,822	(6,032,008)
Cash and cash equivalents, beginning of period	13,441,817	16,832,769
CASH AND CASH EQUIVALENTS - END OF PERIOD	$14,428,639	$10,800,761
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	$21,973,477	$24,425,101
(Decrease) Increase in short term investments	(1,492,555)	1,506,766
Increase (Decrease) in cash and cash equivalents	986,822	(6,032,008)
CASH AND SHORT TERM INVESTMENTS - END OF PERIOD	$21,467,744	$19,899,859

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

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2020	$ 7,179,617	$ 1,235,549	$ (105,300)	$ 17,484,644	$25,794,510
Comprehensive Income for the period	-	-	(31,462)	2,173,724	2,142,262
Common shares repurchased under Normal Course Issuer Bid *(Note 15)*	(305,588)	-	-	(2,204,165)	(2,509,753)
Common shares purchased and held in RSU Plan Trust *(Note 15)*	(463,807)	-	-	-	(463,807)
Effect of Share-based payments: Options vested *(Note 15)*	-	88,232	-	-	88,232
Effect of Share-based payments: RSU expense *(Note 15)*	-	37,842	-	-	37,842
Balance as of June 30, 2020	$ 6,410,222	$ 1,361,623	$ (136,762)	$ 17,454,203	$ 25,089,286

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2019	$ 7,654,993	$ 976,957	$ (14,734)	$ 18,988,446	27,605,662
Comprehensive Income for the period	-	-	(12,164)	1,669,024	1,656,860
Common shares repurchased under Normal Course Issuer Bid *(Note 15)*	(328,002)	-	-	(4,265,462)	(4,593,464)
Effect of Share-based payments: Options granted / vested *(Note 15)*	-	131,278	-	-	131,278
Effect of Share-based payments: Options exercised *(Note 15)*	9,377	(4,653)	-	-	4,724
Balance as of June 30, 2019	$ 7,336,368	$ 1,103,582	$ (26,898)	$ 16,392,008	$ 24,805,060

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

1. General Information

BioSyent Inc. ("**BioSyent**" or the "**Company**"), is a publicly traded specialty pharmaceutical company which, through its wholly-owned subsidiaries, BioSyent Pharma Inc. ("**BioSyent Pharma**") and BioSyent Pharma International Inc., acquires or licences and further develops pharmaceutical and other healthcare products for sale in Canada and certain international markets. Hedley Technologies Ltd., a wholly owned subsidiary of BioSyent, operates the Company's legacy business marketing biologically and health friendly non-chemical insecticides. BioSyent's issued and outstanding common shares (the "**Common Shares**") are listed for trading on the TSX Venture Exchange under the symbol "RX".

The accompanying interim unaudited condensed consolidated financial statements (the "**Financial Statements**") of BioSyent include the accounts of BioSyent Inc. and its four wholly owned subsidiaries: BioSyent Pharma Inc., BioSyent Pharma International Inc., Hedley Technologies Ltd., and Hedley Technologies (USA) Inc. (formerly HTI Agritech (USA) Inc.) ("**Hedley USA**").

The Company changed its name from "Hedley Technologies Inc." to "BioSyent Inc." on June 13, 2006 to reflect the Company's forward focus on the pharmaceutical market. BioSyent Pharma was incorporated on April 6, 2006 under the Canada Business Corporations Act and commenced operations in 2006. Hedley Technologies Ltd. was incorporated on January 30, 1996 in the province of British Columbia, Canada. Hedley USA was incorporated on May 13, 1994 in the state of Washington, USA. BioSyent Pharma International Inc. was incorporated on April 18, 2016 in Barbados.

BioSyent's principal place of business is located at 2476 Argentia Road, Suite 402, Mississauga, Ontario, Canada L5N 6M1.

These Financial Statements were approved by the Board of Directors on August 25, 2020.

2. Basis of Presentation

The principal accounting policies adopted in the preparation of these Financial Statements on a historical cost basis, with the exception of those financial assets and liabilities at fair value through profit or loss (FVTPL), are set out below. The policies have been consistently applied to all the years presented.

Statement of Compliance

These Financial Statements are in compliance with International Accounting Standard 34, "Interim Financing Reporting" ("**IAS34**"). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") have been omitted or condensed.

Since these Financial Statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

Basis of Consolidation

All inter-company transactions have been eliminated in these Financial Statements.

Functional and Presentation Currency

The presentation currency of these Financial Statements is the Canadian dollar ("**CAD**"). The functional currency of the Company and two of its subsidiaries, BioSyent Pharma and Hedley Technologies Ltd., is the Canadian dollar. The functional currency of Hedley USA and BioSyent Pharma International Inc. is the U.S. dollar ("**USD**").

All financial information has been rounded to the nearest dollar except where otherwise indicated.

3. Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of these Financial Statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2019.

Accounting Pronouncements Issued but not yet Effective

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

4. Use of Estimates and Accounting Judgments by Management

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the Company's consolidated financial statements for the year ended December 31, 2019.

5. Trade and other Receivables

Trade and other receivables are summarized as follows:

	June 30, 2020	December 31, 2019
Trade accounts receivable *(Note 7)*	$2,585,700	$1,814,914
Other receivables	204,118	268,809
Total trade and other receivables	$2,789,818	$2,083,723

6. Inventory

Inventory is comprised of the following:

	June 30, 2020	December 31, 2019
Raw and Packaging Materials	$ 465,122	$ 273,942
Finished Goods	1,362,227	1,865,185
Total inventory	$1,827,349	$2,139,127

Cost of goods sold is comprised of the following:

	Three months ended,	
	June 30, 2020	June 30, 2019
Raw and Packaging Materials and Finished Goods	$1,009,255	$1,072,118
Freight	33,705	13,535
Total cost of goods sold	$1,042,960	$1,085,653

	Six months ended,	
	June 30, 2020	June 30, 2019
Raw and Packaging Materials and Finished Goods	$2,216,400	$1,993,253
Freight	87,663	50,824
Total cost of goods sold	$2,304,063	$2,044,077

7. Financial Instruments and Financial Risk Management

Fair Value Measurement

Fair Value Estimation of Financial Instruments

The carrying value of the Company's cash and cash equivalents, short term investments, derivative assets/liabilities, trade and other receivables, loans receivable, and accounts payable and accrued liabilities approximate their fair values.

Risks

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including foreign exchange risk, interest rate risk, and credit risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out under the policies described below. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated with the approved policies.

➢ **COVID-19 (Coronavirus)**

On March 11, 2020, the World Health Organization characterized COVID-19 (Coronavirus) as a pandemic. The COVID-19 pandemic has impacted and is likely to continue to impact the Company's operations in the following key areas:

a. Workforce:

Based on the recommendations of national and local public health authorities, the Company has adopted a phased approach to the return of its employees to working in the Company's head office and in the field after working primarily from home. The Company will continue to follow the recommendations of public health and government authorities and to take all necessary precautions, including remote work arrangements, the ongoing practice of physical distancing, making personal protective equipment available to employees, and ensuring employees' understanding of good hygiene practices and infection risks, in order to protect the health and safety of its workforce.

b. Access to Healthcare Professionals:

COVID-19 restrictions have affected the ability of the Company's field salesforce to access healthcare professionals in the community and in hospitals for the purposes of product detailing. While the extent and duration of such access restrictions varies by region in Canada, such restrictions are likely to have an impact on the Company's Canadian pharmaceutical sales during the time they are in place.

c. Demand for Products:

To the extent that the COVID-19 pandemic affects patient volumes and the nature of procedures performed in Canadian hospitals, this will affect the consumption of the Company's urgent care products as well as its hospital products used in elective procedures.

Additionally, to the extent that the COVID-19 pandemic and physical distancing restrictions affect consumer buying behaviour, this will affect demand for the Company's pharmaceutical products in hospitals and in the community. The extent of the impact of COVID-19 on consumer demand for the Company's products in the short-term and long-term is uncertain.

Finally, given the global scale of COVID-19, demand for the Company's products in international markets may also be affected, depending on the extent of local infection rates, the measures implemented by local governments in response, and the overall impact of the pandemic on business activity in these international markets.

d. Supply Chain:

The Company sources its products from manufacturers based primarily in the United States and Europe. Given the global impact of the COVID-19 pandemic and varying localized impacts, this could result in interruptions to the Company's supply chains, including the manufacturing, transportation, and delivery of products to customers.

➢ **Foreign Exchange Options:**

The Company periodically enters into foreign exchange options with financial institutions with investment grade credit ratings to manage its foreign exchange risk on contracts denominated in U.S. dollars. Such options are classified as derivative financial instruments and measured at fair value through profit and loss. As at June 30, 2020, the Company entered into options to purchase up to a total of USD 1,500,000 and USD 1,950,000 (December 31, 2019 – USD 2,550,000 and USD 3,825,000) at an exchange rate expressed in CAD per USD of 1.3000 which will be settled on various dates from July 2020 to January 2021. The Company's right to buy USD 1,500,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.3300 to 1.3550 CAD per USD. The Company's obligation to buy USD 1,950,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below a rate of 1.2750 CAD per USD.

The fair value of foreign exchange options is estimated based on quoted values from financial institutions. The Company's foreign exchange options resulted in a derivative liability of $2,978 as at June 30, 2020 (December 31, 2019 – derivative liability of $43,861).

The following table illustrates the Company's investment in foreign exchange options that are measured at fair value through profit and loss ("**FVTPL**"):

June 30, 2020	Level 1	Level 2	Level 3
Foreign Exchange Options	-	($2,978)	-

December 31, 2019	Level 1	Level 2	Level 3
Foreign Exchange Options	-	($43,861)	-

➢ **Dual Currency Deposits:**

The Company also invests in dual currency deposits ("**DCD**"). A DCD is a CAD or foreign currency denominated transaction that provides an enhanced guaranteed interest payment at maturity. However, the original denominated currency is converted to another specified currency at a specified exchange rate depending on whether the spot rate on the maturity date is above or below a specified fixed exchange rate. The fair value of DCDs is estimated based on quoted values from financial institutions.

The following table illustrates the Company's investment in DCDs measured at fair value through profit and loss:

June 30, 2020	Level 1	Level 2	Level 3
DCDs	-	$1,995,377	-

December 31, 2019	Level 1	Level 2	Level 3
DCDs	-	$1,987,932	-

At June 30, 2020, the Company had the following CAD denominated DCDs that were convertible into USD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.3587	$1,000,000	$1,000,904	3.00%	July 17, 2020	1.3390
DCD	1.3156	$1,000,000	$ 994,473	2.25%	September 24, 2020	1.3295

At December 31, 2019, the Company had the following CAD denominated DCD that was convertible into USD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.3160	$2,000,000	$1,987,932	3.01%	February 3, 2020	1.3000

The fair value of dual currency deposits is estimated based on quoted values from financial institutions.

- **Foreign Exchange Risk:**

The Company currently earns revenue in Canadian dollars, U.S. dollars and Euros and incurs costs in Canadian dollars, U.S. dollars and Euros. Management monitors the foreign currency net liability position on an ongoing basis during the year and adjusts the total net monetary liability balance accordingly. When it is appropriate to de-risk future foreign exchange transactions, the Company uses DCDs and foreign exchange options to manage foreign exchange transaction exposure.

The following tables present foreign exchange sensitivity analyses for the assets and liabilities of the Company denominated in foreign currencies:

Foreign Exchange Sensitivity Analysis - USD

	June 30, 2020	December 31, 2019
Description of Asset/(Liability)	USD	USD
Cash and cash equivalents	530,791	418,262
Short term investments	1,495,506	1,529,178
Trade receivables	67,546	78,254
Less: Accounts payable	(350,623)	(698,811)
Net Total	1,743,220	1,326,883
Foreign Exchange Rate CAD per USD at the end of the period	1.3628	1.2988

At June 30, 2020, if the U.S. dollar had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $174,611 higher or lower on an after-tax basis, respectively (December 31, 2019 - $126,667 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis - EUR

	June 30, 2020	December 31, 2019
Description of Asset/(Liability)	EUR	EUR
Cash and cash equivalents	412,147	673,066
Trade receivables	-	-
Less: Accounts payable	(87,228)	(84,048)
Net Total	324,919	589,018
Foreign Exchange Rate CAD per EUR at the end of the period	1.5305	1.4583

At June 30, 2020, if the Euro had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $36,551 higher or lower on an after-tax basis, respectively (December 31, 2019 - $63,134 higher or lower, respectively).

➢ **Interest Rate Risk:**

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Some of the Company's cash and cash equivalents as at the date of the Company's Consolidated Statements of Financial Position are invested in redeemable guaranteed investment certificates (each, a "**GIC**"), which earn interest at fixed rates during their tenure. The Company's short-term investments consist of non-redeemable GICs which also earn interest at fixed rates during their tenure. These GICs all have terms of one year or less.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest when these GICs are renewed may have an impact on the Company's Finance Income for the period.

➢ **Credit Risk:**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short term investments, trade and other receivables, and loans receivable. The carrying amount of financial assets represents maximum credit exposure. As the Company invests in GICs with Canadian Chartered Banks, its credit risk on this account is negligible. The Company's loans receivable (*see Note 12*) are full recourse and secured by a pledge of common shares of the Company purchased by the Borrowers, who are key management personnel. Based on these factors, the Company considers the credit risk associated with these loans receivable to be low. There are no factors at the end of the period to indicate a significant increase in credit risk has occurred and there are no defaults on the loans receivable.

The majority of the Company's current customers are corporations with whom the Company has transacted for several years. In assessing the credit risk of its trade accounts receivable, the Company considers historical default rates and payment patterns, the nature of its customer base, and forward-looking information including any anticipated changes to its customer base, credit terms, and pricing.

Aged Trade Accounts Receivable	June 30, 2020	December 31, 2019
Current	$2,154,911	$1,328,854
Past due 1-30 days	382,703	329,815
Past due 31-60 days	3,973	80,438
Over 60 days	73,650	111,218
Loss Allowance	(29,537)	(35,411)
Closing Balance	$2,585,700	$1,814,914
Maximum Credit Risk	2,615,237	1,850,325

As of June 30, 2020, one customer represents 29% of trade receivables (December 31, 2019 - 19%) while another customer represents 22% of trade receivables (December 31, 2019 - 31%), a third customer represents 17% of trade receivables (December 31, 2019 - 13%), and a fourth customer represents 9% of trade receivables (December 31, 2019 – 18%). There have been no past defaults by any of these four customers.

The Company monitors its credit risk on an ongoing basis. The Company has recognized an expected credit loss of $29,537. Given the pervasive impact of the COVID-19 pandemic on general economic conditions and liquidity, there may be an increased risk of customer default on trade receivables in this environment; however, given the nature of size of the Company's customer base, the risk of material default on trade accounts receivable is still considered low.

Cash, cash equivalents and short-term investments are maintained with Canadian financial institutions and the wholly owned subsidiaries of these financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

➢ **Liquidity Risk:**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is actively involved in the review and approval of planned expenditures. All contractual maturities of accounts payable and accrued liabilities are due within one year. The Company has no other financial liabilities not carried at fair value.

The Company generates sufficient cash from operating activities to fund its operations and fulfill its obligations as they become due. The Company has credit facilities available with Royal Bank of Canada totalling $3,090,000, including a revolving demand credit facility of $1,500,000 which it has not drawn down as at the date hereof, a foreign exchange facility of $1,500,000, and credit card facilities totalling $90,000. The Company has available additional foreign exchange facilities of $2,500,000 with other Canadian financial institutions.

There were no changes to the Company's exposure to liquidity risk, credit risk, or interest rate risk or to its approach to managing these risks during the period ended June 30, 2020.

8. Short-term Investments

Short term investments consist of the following:

	June 30, 2020	December 31, 2019
Non-redeemable GICs	$5,043,728	$6,543,728
Dual Currency Deposits *(Note 7)*	1,995,377	1,987,932
Total short term investments	$7,039,105	$8,531,660

9. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	June 30, 2020	December 31, 2019
Cash on deposit in banks	$ 7,827,034	$10,887,130
Redeemable GICs	6,601,605	2,554,687
Total cash and cash equivalents	$14,428,639	$13,441,817

10. Property and Equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Right-of-Use Asset (see Note 13)	Leasehold Improvements	Total
COST:							
December 31, 2018	$104,149	$89,028	$231,225	$290,472	$-	$-	$714,874
2019 Additions	161,546	131,050	35,539	80,593	1,330,455	680,511	2,419,694
2019 Disposals	(15,635)	-	-	-	-	-	(15,635)
December 31, 2019	$250,060	$220,078	$266,764	$371,065	$1,330,455	$680,511	$3,118,933
2020 Additions	4,884	-	3,400	-	-	-	8,284
June 30, 2020	**$254,944**	**$220,078**	**$270,164**	**$371,065**	**$1,330,455**	**$680,511**	**$3,127,217**
ACCUMULATED DEPRECIATION:							
December 31, 2018	$(67,703)	$(37,324)	$(141,089)	$(196,973)	$-	$-	$(443,089)
Changes in 2019	(20,317)	(24,572)	(32,372)	(49,610)	(44,349)	(22,358)	(193,578)
December 31, 2019	$(88,020)	$(61,896)	$(173,461)	$(246,583)	$(44,349)	$(22,358)	$(636,667)
Changes in 2020	(16,448)	(16,776)	(14,251)	(18,673)	(66,523)	(34,851)	(167,522)
June 30, 2020	**$(104,468)**	**$(78,672)**	**$(187,712)**	**$(265,256)**	**$(110,872)**	**$(57,209)**	**$(804,189)**
CARRYING AMOUNT							
December 31, 2018	$36,446	$51,704	$90,136	$93,499	$-	$-	$271,785
December 31, 2019	$162,040	$158,182	$93,303	$124,482	$1,286,106	$658,153	$2,482,266
June 30, 2020	**$150,476**	**$141,406**	**$82,452**	**$105,809**	**$1,219,583**	**$623,302**	**$2,323,028**

11. Intangible Assets

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks and Patents	Trade Certifications	Total
COST:						
December 31, 2018	$1,282,757	$893,020	$69,065	$85,326	$3,936	$2,334,104
2019 Additions	219,450	-	2,885	7,460	-	229,795
December 31, 2019	$1,502,207	$893,020	$71,950	$92,786	$3,936	$2,563,899
2020 Additions	29,931	-	-	3,298	-	33,229
June 30, 2020	**$1,532,138**	**$893,020**	**$71,950**	**$96,084**	**$3,936**	**$2,597,128**
ACCUMULATED AMORTIZATION:						
December 31, 2018	$(41,042)	$(218,052)	$-	$(8,568)	$-	$(267,662)
Changes in 2019	(13,061)	(79,742)	-	(4,553)	(796)	(98,152)
December 31, 2019	$(54,103)	$(297,794)	$-	$(13,121)	$(796)	$(365,814)
Changes in 2020	(33,419)	(39,871)	(14,600)	(2,276)	(401)	(90,567)
June 30, 2020	**$(87,522)**	**$(337,665)**	**$(14,600)**	**$(15,397)**	**$(1,197)**	**$(456,381)**
ACCUMULATED IMPAIRMENT LOSSES:						
December 31, 2018	$(123,760)	$-	$-	$-	$-	$(123,760)
Changes in 2019	(589,581)	(461,366)	-	-	-	(1,050,947)
December 31, 2019	$(713,341)	$(461,366)	$-	$-	$-	$(1,174,707)
Changes in 2020	-	-	-	-	-	-
June 30, 2020	**$(713,341)**	**$(461,366)**	**$-**	**$-**	**$-**	**$(1,174,707)**
CARRYING AMOUNT						
December 31, 2018	$1,117,955	$674,968	$69,065	$76,758	$3,936	$1,942,682
December 31, 2019	$734,763	$133,860	$71,950	$79,665	$3,140	$1,023,378
June 30, 2020	**$731,275**	**$93,989**	**$57,350**	**$80,687**	**$2,739**	**$966,040**

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred product dossier and filing costs of $1,532,138 (December 31, 2019 – $1,502,207) to date on several products. The product dossier and filing costs incurred in respect of launched products are being amortized on a straight-line basis over their estimated finite useful lives based on marketability. For the six months ended June 30, 2020, $33,419 of amortization expense (six months ended June 30, 2019 - $6,531) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these assets (*see Note 16*).

In November 2019, the Company entered into a License and Exclusive Supply Agreement with AFT Pharmaceuticals Ltd ("**AFT**") to acquire a license to market, sell and distribute a portfolio of pain management products in Canada. The Company has incurred $174,129 in development costs related to these products. Such costs are included in intangible assets as New Product Dossier and Filing Costs. The Company will commence amortizing these costs upon this asset becoming available for use. No amortization expense has been recorded in respect of these costs in 2020.

During the 15-year term of the License and Exclusive Supply Agreement, the Company is committed to purchase certain minimum quantities from AFT as well as certain royalty payments based on the net sales of the products in Canada (see *Note 18*).

Product Licenses and Rights

Cumulatively, the Company has incurred costs related to the acquisition of product licenses and rights totalling $893,020 (December 31, 2019 – $893,020).

On August 18, 2015, the Company entered into a Distribution and Supply Agreement with Photocure ASA (the "Distribution and Supply Agreement") to acquire the exclusive rights to market, promote, distribute and sell the Cysview® product in Canada including an exclusive right to use the Cysview® trademark and a license to use the patents associated with the product in Canada. The Company incurred costs totalling $859,400 (December 31, 2019 – $859,400) related to the acquisition and commercialization of Cysview®, which was launched in the Canadian market in November 2015. This asset has a finite life and is being amortized on a straight-line basis over the 11-year term of the agreement. For the six months ended June 30, 2020, $39,871 of amortization expense (six months ended June 30, 2019 – $39,871) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of this asset (*see Note 16*).

In addition to the upfront payment made by the Company to Photocure ASA, certain future payments are also required by the Company under the Distribution and Supply Agreement contingent on the achievement of specific milestones (see *Note 18*).

On November 7, 2016, the Company entered into a License and Supply Agreement with a European partner to acquire the exclusive Canadian rights to use the product registration documentation of a women's health pharmaceutical product and a license to sell, market and distribute this product in Canada under the brand name Tibella®. In addition to an initial EUR 20,000 license fee upon signing this agreement, the Company is committed to certain annual license fee payments to its European partner contingent upon the future sales of the product (see *Note 18*). On May 10, 2019, the Company received regulatory approval from Health Canada for Tibella®. No amortization expense has been recorded in respect of these costs for the six months ended June 30, 2020. Tibella® was launched to the Canadian market in July 2020.

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling $71,950 (December 31, 2019 – $71,950) relating to the development of new products. The Company has commenced amortization of certain of these costs upon the completion of development. For the six months ended June 30, 2020, $14,600 of amortization expense (six months ended June 30, 2019 – $nil) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these development costs (*see Note 16*).

Trademarks and Patents

The Company has incurred cumulative trademark and patent application and filing costs of $96,084 (December 31, 2019 – $92,786) relating to product registration application costs in various jurisdictions. These assets have finite lives and are being amortized on a straight-line basis over the terms of the respective trademarks and patents (ranging from 10 to 15 years). For the six months ended June 30, 2020, $2,276 of amortization expense (six months ended June 30, 2019 – $2,142) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these assets (*see Note 16*).

Trade Certifications

The Company has incurred legal and other costs in obtaining certain international trade certifications and permits totalling $3,936 (December 31, 2019 – $3,936). This asset is being amortized over its 5-year estimated useful life. For the six months ended June 30, 2020, $401 of amortization expense (six months ended June 30, 2019 – $nil) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these development costs (*see Note 16*).

12. Loans Receivable

On December 8, 2016, the Board of Directors approved a Management Share Loan Program ("MSLP") under which the Company offered one-time, secured loans to certain management personnel employed by the Company (each a "Borrower") up to a maximum of fifty percent of each Borrower's base annual salary for the sole purpose of their purchase of the Company's issued and outstanding common shares at prevailing market prices through the facilities of the TSX Venture Exchange.

	Loans Receivable ($)
Balance, December 31, 2018	576,929
Accrued Interest	11,538
Balance, December 31, 2019	**588,467**
Accrued Interest	5,869
Balance, June 30, 2020	**594,336**

The Company advanced loan proceeds totalling $391,500 on May 26, 2017, and a further $175,000 on December 11, 2018, in accordance with the terms of the MSLP for the purchase of the Company's common shares by the Borrowers.

Each MSLP participant's loan (collectively, the "MSLP Participant Loans") bears interest at a rate of 1% – 2% per annum and is secured by a pledge of the common shares purchased under the MSLP by the Borrowers. Interest receivable of $5,869 was accrued on the loans for the six months ended June 30, 2020 (six months ended June 30, 2019 – $5,722) and has been included in finance income on the Company's Consolidated Statements of Comprehensive Income.

The MSLP Participant Loans are repayable by the Borrowers upon any sale of pledged shares by the Borrower in proportion to the then outstanding loan principal balance plus accrued interest. The remaining MSLP Participant Loan principal plus accrued interest must be fully repaid by the Borrowers no later than five years from the date the loan proceeds were advanced (the "Maturity Date"), specifically, May 26, 2022 for loans advanced on May 26, 2017 and December 11, 2023 for loans advanced on December 11, 2018.

If a Borrower ceases to be employed by the Company prior to the end of the five-year Maturity Date, all outstanding loan obligations shall become due and payable on the 30th day following the date of termination. In addition, in the event of a default by the Borrower of the terms of the loan, the loan obligations will become due and payable immediately.

As the loans are full recourse loans, they have not been accounted for as stock-based compensation, but as financial instruments within the scope of IFRS 9, *Financial Instruments*.

13. Contract Liability

The Company recognizes a contract liability based on its estimate of the amount of consideration it expects to refund to its customers, including consideration payable resulting from coupons and volume rebates. This contract liability is updated at the end of each year for any changes in circumstances.

The table below summarizes changes in the contract liability during the period:

	Contract Liability ($)
Balance, January 1, 2019	112,353
Estimated variable consideration	484,436
Settlement of variable consideration	(497,648)
Balance, December 31, 2019	**99,141**
Estimated variable consideration	381,553
Settlement of variable consideration	(348,254)
Balance, June 30, 2020	**132,440**

14. Lease Liability

The Company leases its head office space in Mississauga, Ontario, Canada. The Company's current office lease commenced on September 1, 2019 and extends to August 31, 2029. The Company has an option to extend this lease beyond the 10-year non-cancellable term for a further term of 5 years. As per IFRS 16 *Leases*, adopted by the Company effective January 1, 2019, the Company has recognized a right of use asset in respect of this office lease based on a 10-year lease term (*see Note 10*).

The Company has also recognized a lease liability for this office lease based on a weighted average incremental borrowing rate of 5.20%. The carrying amount of the Company's lease liability for this office lease is summarized in the table below:

	Lease Liability ($)
Opening lease liability – office lease	1,860,191
Interest expense	32,456
Payments	(39,533)
Balance, December 31, 2019	**1,853,114**
Interest expense	47,152
Payments	(118,598)
Balance, June 30, 2020	**1,781,668**
Current portion, June 30, 2020	**148,149**
Long-term portion, June 30, 2020	**1,633,519**
Current portion, December 31, 2019	**144,253**
Long-term portion, December 31, 2019	**1,708,861**

The Company's future undiscounted lease payments under this lease agreement are as follows:

Fiscal Year	Lease Payments
2020	$ 118,598
2021	$ 237,195
2022	$ 238,952
2023	$ 242,466
2024	$ 242,466
2025	$ 245,980
2026	$ 253,008
2027	$ 253,008
2028	$ 253,008
2029	$ 168,672
Total	$ 2,253,353

Not included in the lease liability, the Company incurred occupancy costs related to its office leases of $60,795 for the six months ended June 30, 2020 (six months ended June 30, 2019 - $59,010) which have been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income.

15. Share Capital

a. Authorized

The authorized share capital of the Company consists of 100,000,000 common shares without par value and 25,000,000 preferred shares without par value. The holders of the preferred shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company.

b. Issued and outstanding common shares

	Number of Common Shares	Amount
Balance, Outstanding Shares, December 31, 2018	14,458,583	$7,665,644
Shares repurchased under NCIB and held in Treasury at December 31, 2018 (d)	(20,068)	(10,651)
Balance, Excluding Treasury Shares, December 31, 2018	14,438,515	$7,654,993
Options exercised (c)	762	9,377
Shares repurchased under NCIB and cancelled (d)	(878,832)	(468,828)
Balance, Outstanding Shares, December 31, 2019	**13,560,445**	**$7,195,542**
Shares repurchased under NCIB and held in Treasury at December 31, 2019 (d)	(30,000)	(15,925)
Balance, Excluding Treasury Shares, December 31, 2019	**13,530,445**	**$7,179,617**
Shares repurchased under NCIB and cancelled (d)	(594,275)	(305,588)
Balance, Issued Shares, June 30, 2020	**12,936,170**	**$6,874,029**
Share purchased for RSU Plan Trust and held in Treasury at June 30, 2020 (e)	(128,000)	(463,807)
Balance, Outstanding Shares, June 30, 2020	**12,808,170**	**$6,410,222**

c. Options exercised

During the six months ended June 30, 2020, nil common shares were issued against options exercised (six months ended June 30, 2019 – 762 common shares issued against options exercised).

d. Normal Course Issuer Bid (NCIB)

Pursuant to the policies of the TSX Venture Exchange, the Company may be permitted from time to time to repurchase its own common shares for cancellation under a NCIB. The policies of the TSX Venture Exchange permit an issuer, upon the approval of the TSX Venture Exchange, to purchase by normal market purchases up to 2% of a class of its own shares in a given 30-day period up to a maximum, in a 12 month period, of the greater of 5% of the outstanding shares or 10% of the Public Float, as such term is defined in the policies of the TSX Venture Exchange.

On December 4, 2018, the Company announced that the TSX Venture Exchange had accepted its Notice of Intention to Make a NCIB, pursuant to which the Company was permitted to purchase up to 950,000 of its own common shares for cancellation over a 12-month period commencing on December 10, 2018 and ending on December 9, 2019.

On December 11, 2019, the Company announced that the TSX Venture Exchange had accepted its renewal of the NCIB, pursuant to which the Company would be permitted to purchase up to 800,000 of its own common shares for cancellation over a further 12-month period commencing on December 17, 2019 and ending on December 16, 2020. Purchases of shares by the Company under the NCIB are made through the facilities of the TSX Venture Exchange or alternative Canadian trading systems at the market price of the shares at the time of acquisition.

During the year ended December 31, 2019, the Company repurchased 908,832 of its common shares for an aggregate price of $6,346,262 and incurred costs of $11,588 related to the repurchase of these shares. 878,832 of these repurchased shares were cancelled as of December 31, 2019, with the remaining 30,000 shares held in Treasury pending cancellation. These 30,000 shares were subsequently cancelled upon payment of $153,507 for settlement in January, 2020. The Company's retained earnings were reduced by $5,873,097 upon the repurchase of these shares, representing the excess of the aggregate repurchase price over the reduction in share capital of $484,753.

During the six months ended June 30, 2020, the Company repurchased 594,275 of its common shares for an aggregate price of $2,503,810 and incurred costs of $5,943 related to the repurchase of these shares. The Company's retained earnings were reduced by $2,204,165 upon the repurchase of these shares, representing the excess of the aggregate repurchase price over the reduction in share capital of $305,588.

e. Restricted Share Unit Plan Trust

During the six months ended June 30, 2020, the Company purchased 128,000 of its common shares pursuant to its Restricted Share Unit ("RSU") Plan (see *Note 15(g)*) for an aggregate purchase price of $463,807. 128,000 shares are held in trust as of June 30, 2020 for future settlement of vested RSUs granted to employees, senior management, and directors of the Company.

f. There are nil preferred shares outstanding as of December 31, 2019 (December 31, 2018 – nil).

g. Share-Based Payments

Restricted Share Unit ("RSU") Plan

The Board adopted a Restricted Share Unit Plan on March 4, 2020, which was approved by shareholders on May 27, 2020 and subsequently approved by the TSX Venture Exchange. The RSU Plan was established as a vehicle by which equity-based incentives may be granted to eligible employees, consultants, directors and officers of the Company to recognize and reward their contributions to the long-term success of the Company including aligning their interests more closely with the interests of the Company's shareholders. The RSU Plan is a fixed plan which reserves for issuance a maximum of 800,000 common shares of the Company.

On March 31, 2020, a total of 129,125 RSUs were granted to certain employees, senior management, and directors of the Company with a fair value of $3.61 per unit, being the grant date closing (TSX Venture Exchange) market price per share. Certain of these units shall vest fully in three years' time on March 31, 2023 and certain of these units shall vest quarterly in three years' time on March 31, 2023, June 30, 2023, September 30, 2023, and December 31, 2023.

During the six months ended June 30, 2020, the Company recorded net share-based payment expense of $37,842 (six months ended June 30, 2019 - $nil) relating to RSUs granted.

As at June 30, 2020, there were 129,125 RSUs outstanding (December 31, 2019 – nil), as shown below:

	June 30, 2020		December 31, 2019	
	Number of RSUs	Weighted average grant price	Number of RSUs	Weighted average grant price
Outstanding, beginning of period	-	-	-	-
Granted	129,125	$3.61	-	-
Forfeited	-	-	-	-
Settled	-	-	-	-
Outstanding, end of period	129,125	$3.61	-	-

The weighted-average remaining contractual life of the 129,125 RSUs outstanding is 3.18 years.

Incentive Stock Option Plan

On March 11, 2014, the Board approved an incentive stock option plan (the "**SOP**") which was adopted by the shareholders of the Company on June 13, 2014. The Board approved an amended SOP on March 4, 2020 which was approved by shareholders on May 27, 2020. The purpose of the SOP is to assist the Company in attracting, retaining and motivating directors, officers, employees and other persons who provide ongoing services to the Company and its affiliates and to closely align the personal interests of such participants with those of the Company's shareholders, by providing them with the opportunity to acquire common shares of the Company, and thereby a proprietary interest in the Company and its subsidiaries, through the exercise of share purchase options.

On March 20, 2019, options totalling 34,211 were granted by the Company to senior management and officers of the Company under the SOP. These options shall vest in annual increments over four years to March 20, 2023. The fair value of these options granted with an exercise price of $8.22 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	$8.22
Risk-free interest rate	1.75%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	111.59%
Average expected option life (years)	9.26
Weighted-average grant date fair value of options granted	$7.54
Forfeiture rate	2.20%

The volatility factor used by the Company is based on its historical share prices.

No options were granted by the Company during the six months ended June 30, 2020.

During the six months ended June 30, 2020, the Company recorded net share-based payment expense of $88,232 (six months ended June 30, 2019 - $131,278) relating to previous option grants to employees, directors, officers and advisors under the SOP, which are included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

As at June 30, 2020, there were 177,512 options outstanding (December 31, 2019 – 177,512), as shown below:

	June 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	177,512	$8.30	144,624	$8.30
Granted	-	-	34,211	$8.22
Expired or forfeited	-	-	(561)	$7.18
Exercised	-	-	(762)	$6.20
Outstanding, end of period	177,512	$8.30	177,512	$8.30

Of the total number of options outstanding as of June 30, 2020, options totalling 124,965 have vested and are exercisable by the option holders (December 31, 2019 – 103,770). These exercisable options have a weighted average exercise price of $8.16 (December 31, 2019 - $8.12).

The weighted-average remaining contractual life of the 177,512 (December 31, 2019 – 177,512) options outstanding is 6.73 years (December 31, 2019 – 7.22 years) and the range of exercise prices for these options is $6.20 - $10.97 (December 31, 2019 - $6.20 - $10.97).

During the six months ended June 30, 2020, nil options were exercised (six months ended June 30, 2019 – 762 options exercised).

Employee Share Purchase Plan

On January 1, 2017, the Company introduced an Employee Share Purchase Plan ("ESPP"). Under the ESPP, eligible BioSyent employees, including certain key management personnel, are permitted to contribute up to a maximum of 10 per cent of their gross base salary to purchase the Company's common shares in the open market through the facilities of the TSX Venture Exchange. The contributions are matched by the Company up to a maximum of 2.5 percent of the applicable employee's gross base salary.

During the six months ended June 30, 2020, the Company recorded share-based payment expense of $19,908 (six months ended June 30, 2019 - $32,822) relating to the Company's contributions to the ESPP for the purchase of common shares on behalf of participating employees. Company contributions to the ESPP were temporarily suspended during the three months ended June 30, 2020. This expense is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

16. Expenses by Nature

The expenses on the Consolidated Statements of Comprehensive Income have been grouped by function to focus reader attention on the macro movements in cost from period to period while giving the reader an option to see the detail of expenses according to their nature, which are included below:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cost of goods sold	$1,042,960	$1,085,653	$2,304,063	$2,044,077
Selling and marketing	$1,554,327	$1,721,871	$3,134,939	$3,093,686
Advertising, Promotion and Selling Costs	736,395	922,329	1,559,601	1,559,947
Employee Costs	622,392	679,527	1,243,439	1,323,264
Logistics, Quality Control & Regulatory	193,408	113,636	321,072	193,234
Share-based Payments	2,132	6,379	10,827	17,241
General and administration	$1,220,362	$1,514,190	$2,563,752	$2,499,891
Employee Costs	638,613	664,757	1,270,227	1,256,154
Corporate Expenses	169,254	172,909	466,243	387,688
Research and Development	82,187	-	205,376	-
Depreciation - Property and Equipment	81,338	23,057	167,522	44,181
Share-based Payments	70,937	80,715	135,156	146,859
Professional Fees	52,543	34,977	120,401	70,630
Amortization - Intangible Assets	47,517	24,272	90,567	48,544
Information Technology	43,458	28,543	75,099	53,955
Insurance	25,872	24,157	51,630	47,919
Net Foreign Exchange (Gains) Losses	8,643	35,862	(18,469)	19,020
Impairment Losses: Intangible Assets	-	424,941	-	424,941
New business development costs	$19,879	$21,833	$28,867	$28,956
Finance costs	$23,537	-	$47,152	-
Interest expense - lease liability *(Note 13)*	23,537	-	47,152	-
Finance income	$ (52,751)	$ (90,134)	$ (142,971)	$ (213,051)
Interest Income	(52,751)	(90,134)	(142,971)	(213,051)
Foreign Exchange Gains - Investing	-	-	-	-

17. Earnings per Share

The following table reconciles the numerator and denominator for the calculation of basic and diluted earnings per share:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Numerator				
Net income attributable to common shareholders	$722,206	$690,843	$2,173,724	$1,669,024
Denominator				
Basic				
Weighted average number of shares outstanding	12,925,339	14,052,438	13,186,199	14,214,140
Effect of dilutive securities	129,125	1,537	129,125	5,024
Diluted				
Weighted average number of shares outstanding	13,054,464	14,053,975	13,315,324	14,219,164
Basic earnings per share	$0.056	$0.049	$0.165	$0.117
Diluted earnings per share	$0.055	$0.049	$0.163	$0.117

18. Contingencies

Litigations

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at June 30, 2020, the Company was not aware of any litigation or threatened claims either outstanding or pending.

Cysview® Distribution and Supply Agreement

Under the terms of the August 18, 2015 Distribution and Supply Agreement between the Company and Photocure ASA in respect of the Cysview® product (*see Note 11*), milestone payments averaging $229,025 (USD 168,055) per year for three consecutive years are potentially required to be made by the Company to Photocure ASA between December 31, 2020 and December 31, 2022 dependent upon the achievement of certain events. The Company will record these amounts as the events occur.

Women's Health Products License and Supply Agreement

Under the terms of the November 7, 2016 License and Supply Agreement between the Company and its European partner in respect of the Tibella® women's health pharmaceutical product (*see Note 11*), the Company will make annual license fee payments to its European partner in each of the first four years of the Agreement equal to 1% of the Company's net sales of the product in Canada.

Pain Management Products License and Exclusive Supply Agreement

Under the terms of the November 25, 2019 License and Exclusive Supply Agreement, the Company is required to make royalty payments to AFT Pharmaceuticals based on net sales of the pain management products in Canada and contingent on the market share of competing products in Canada over the 15-year term of the agreement. The royalty rates range from 0% to 6.5% on net sales of one product formulation and from 0% to 12.5% on net sales of another product formulation.

19. Commitments

Office Leases

heThe Company's current office lease agreement commenced on September 1, 2019 and extends to August 31, 2029 (*see Note 14*).

The Company's undiscounted minimum future rental payments and occupancy costs (including certain operating costs and realty taxes) for the next five fiscal years under this lease agreement are approximately as follows:

Fiscal Year	Annual Rent and Occupancy Costs
2020	$179,392
2021	$358,785
2022	$360,542
2023	$364,056
2024	$364,056
Beyond Next 5 Fiscal Years	$1,781,624
Total	$3,408,455

Purchase Commitments

In the normal course of business, the Company has minimum purchase commitments with certain suppliers.

20. Related Party Transactions

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its subsidiaries, directly or indirectly.

The table below summarizes compensation for key management personnel of the Company for the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Number of Key Management Personnel	6	6	6	6
Salary, Benefits, and Bonus	$310,886	$293,606	$621,697	$587,212
Share-Based Payments	$38,099	$64,603	$82,674	$110,012

During the six months ended June 30, 2020, the Company recorded share-based payment expense of $82,674 (six months ended June 30, 2019 – $110,012) related to the amortization of RSUs and the vesting of options granted to key management personnel under the Company's RSU Plan and SOP, respectively, as well as the Company's contributions to the ESPP for the purchase of common shares on behalf of participating key management personnel.

Transactions with Directors

During the six months ended June 30, 2020, the Company paid cash fees to its directors in the amount of $27,188 (six months ended June 30, 2019 – $71,300) and share-based payments of $8,095 (six months ended June 30, 2019 – $13,354).

21. Capital Disclosures

For capital management purposes, the Company defines capital as its shareholders' equity that includes share capital, contributed surplus, cumulative translation adjustment and retained earnings.

The amounts included in the Company's capital for the relevant years are as follows:

June 30, 2020	$25,089,286
December 31, 2019	$25,794,510

The Company's principal objectives in managing capital are:

- to ensure that it will continue to operate as a going concern;
- to be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to its shareholders;
- to maintain a strong capital base in order to maintain customers, investors, creditors and market confidence; and
- to provide an adequate rate of return to its shareholders.

The Company manages and adjusts its capital structure in light of changes in economic conditions.

In order to maintain or adjust its capital structure, the Company may issue debt or new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the size of the Company.

The Company does not have any externally imposed capital compliance requirements at June 30, 2020. There were no changes in the Company's approach to capital management during the year.

22. Credit Facilities

The Company has credit facilities available with Royal Bank of Canada totalling $3,090,000, including a revolving demand credit facility of $1,500,000, which has not been utilized as of June 30, 2020, a foreign exchange facility of $1,500,000, and credit card facilities totalling $90,000. The revolving demand credit facility bears interest at a variable rate of Royal Bank prime plus 0.75% and has been secured with a General Security Agreement constituting a first ranking security interest of the Bank in the Company's property. The Company is subject to maintaining certain financial covenants if the demand credit facility is drawn upon. The Company has available additional foreign exchange facilities of $2,500,000 with other Canadian financial institutions which have not been utilized as of June 30, 2020.

23. Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements.

Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income.

The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax rates of 26.5% (2019 – 26.5%) in the Canadian jurisdiction, 21.0% (2019 – 21.0%) in the U.S. jurisdiction, and 2.5% (2019 – 2.5%) in the Barbados jurisdiction.

24. Segment Reporting

A segment is a component of the Company:

i. that engages in business activities from which it may earn revenue and incur expenses;

ii. whose operating results are reviewed by the board of directors; and

iii. for which discrete financial information available.

Though the Company has a legacy business in biologically and health friendly insecticides, management of the Company is primarily focused on growing the pharmaceutical business and does not account for administrative overhead separately for the insecticide business. Consequently, the Company recognizes one business segment for all of its operations.

The revenue breakdown by business is provided below:

a. for both the pharmaceutical and insecticide business; and

b. for both Canadian and international jurisdictions

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Canada				
Pharmaceutical Business	$4,415,900	$4,844,090	$10,371,461	$9,114,230
Insecticide Business	247,370	312,386	247,370	521,060
Total Canada	$4,663,270	$5,156,476	$10,618,831	$9,635,290
International Jurisdictions				
Pharmaceutical Business - Middle East	$94,197	-	$162,165	-
Insecticide Business - United States	13,788	-	53,105	-
Total International Jurisdictions	$107,985	-	$215,270	-
Total Revenue	$4,771,255	$5,156,476	$10,834,101	$9,635,290

Non-Current Assets consist of equipment, intangible assets, loans receivable, and deferred tax asset. As indicated in the table below, Non-Current Assets are located in Canada and international jurisdictions.

	June 30, 2020	December 31, 2019
Canada	$3,815,510	$4,029,824
United States	30,366	26,095
Barbados	67,894	64,287
Total Non-current Assets	$3,913,770	$4,120,206

Corporate Information

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Sara Elford
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René C. Goehrum (Chair)
Ontario, Canada

Peter D. Lockhard (Lead Director)
Ontario, Canada

Stephen Wilton
Ontario, Canada

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Stock Listing

TSX Venture Exchange
Trading symbol: RX
Mississauga, Ontario