

BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

May 26, 2021

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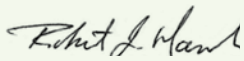


Management's Responsibility For Financial Reporting

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 months ended March 31, 2021 and 2020.

Robert J. March



Vice-President and Chief Financial Officer, BioSyent Inc.

May 26, 2021

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

AS AT	March 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents (Note 6)	\$18,977,955	\$20,291,421
Short term investments (Note 7)	5,046,297	5,286,285
Trade and other receivables (Note 8)	2,393,207	1,815,015
Inventory (Note 9)	2,706,144	2,073,561
Prepaid expenses and deposits	426,816	307,599
CURRENT ASSETS	29,550,419	29,773,881
Property and equipment (Note 11)	2,090,447	2,161,698
Intangible assets (Note 12)	965,319	1,007,822
Loans receivable (Note 13)	598,805	597,332
Deferred tax asset	45,445	30,481
TOTAL NON CURRENT ASSETS	3,700,016	3,797,333
TOTAL ASSETS	\$33,250,435	\$33,571,214
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$3,196,472	\$3,723,486
Contract liability (Note 14)	180,193	246,124
Customer advances	59,448	688,312
Lease liability - current (Note 15)	153,905	151,949
Derivative liability (Note 10)	73,825	78,608
Income tax payable	228,314	250,195
CURRENT LIABILITIES	3,892,157	5,138,674
Deferred tax liability	92,164	79,672
Lease liability - non current (Note 15)	1,517,407	1,556,912
TOTAL NON CURRENT LIABILITIES	1,609,571	1,636,584
Share capital (Note 16)	6,177,257	6,392,428
Contributed surplus	1,557,196	1,494,419
Cumulative translation adjustment	(237,148)	(166,705)
Retained earnings	20,251,402	19,075,814
Total Equity	27,748,707	26,795,956
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$33,250,435	\$33,571,214

Contingencies (Note 19)

Commitments (Note 20)

Related party transactions (Note 21)

APPROVED ON BEHALF OF THE BOARD



René Goehrum

DIRECTOR

May 26, 2021



Peter Lockhard

DIRECTOR

May 26, 2021

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)

	For the three months ended March 31,	
	2021	2020
Net revenues from contracts with customers <i>(Note 25)</i>	\$ 7,419,889	\$ 6,062,846
Cost of goods sold <i>(Notes 9, 17)</i>	1,563,894	1,261,103
Gross profit	5,855,995	4,801,743
Selling, general and administration expenses <i>(Note 17)</i>	3,577,910	2,924,002
New business development costs <i>(Note 17)</i>	39,236	8,988
Operating profit	2,238,849	1,868,753
Finance costs <i>(Notes 15, 17)</i>	21,751	23,615
Finance income <i>(Note 17)</i>	(36,616)	(90,220)
NET INCOME BEFORE TAXES	2,253,714	1,935,358
Current income tax	591,818	515,308
Deferred tax recovery	(2,472)	(31,468)
NET INCOME AFTER TAXES	1,664,368	1,451,518
OTHER COMPREHENSIVE INCOME		
Currency translation gains (losses)	(70,443)	18,878
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 1,593,925	\$ 1,470,396
Basic weighted average number of shares outstanding <i>(Note 18)</i>	12,787,555	13,447,666
Basic earnings per share <i>(Note 18)</i>	\$ 0.13	\$ 0.11
Diluted weighted average number of shares outstanding <i>(Note 18)</i>	12,930,088	13,576,791
Diluted earnings per share <i>(Note 18)</i>	\$ 0.13	\$ 0.11

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

BioSynt Inc.
Interim Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the three months ended March 31,	
	2021	2020
OPERATING ACTIVITIES		
Net income after taxes	\$ 1,664,368	\$ 1,451,518
Items not affecting cash:		
Depreciation – property and equipment (Notes 11, 17)	75,351	86,184
Amortization – intangible assets (Notes 12, 17)	44,885	43,050
Share-based payments (Note 16)	67,274	53,006
Change in derivative liability (Note 10)	(4,783)	(41,508)
Net finance income	(14,865)	(66,605)
Loan interest receivable (Note 13)	(1,473)	(2,935)
Deferred tax recovery	(2,472)	(31,468)
Net change in non-cash working capital items:		
Trade and other receivables	(578,192)	(1,708,452)
Inventory	(632,583)	615,741
Prepaid expenses and deposits	(119,217)	(88,039)
Accounts payable and accrued liabilities	(699,146)	(472,481)
Contract liability	(65,931)	30,764
Customer advances	(628,864)	-
Income tax payable	(21,881)	515,308
Cash provided by (used in) operating activities	(917,528)	384,083
INVESTING ACTIVITIES		
Additions to property and equipment (Note 11)	(4,100)	(8,284)
Additions to intangible assets (Note 12)	(2,382)	(1,775)
Decrease in short term investments (Note 7)	239,988	4,987,932
Interest received	21,732	177,984
Cash provided by investing activities	255,238	5,155,857
FINANCING ACTIVITIES		
Payments – lease liability principal (Note 15)	(37,549)	(35,683)
Payments – lease liability interest (Note 15)	(21,751)	(23,615)
Repurchase of common shares - NCIB (Note 16)	(525,970)	(829,756)
Purchase of RSU Plan shares - held in trust (Note 16)	-	(463,807)
Proceeds from stock options exercised (Note 16)	4,537	-
Cash used in financing activities	(580,733)	(1,352,861)
Effect of foreign currency translation adjustment	(70,443)	18,878
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,313,466)	4,205,957
Cash and cash equivalents, beginning of period	20,291,421	13,441,817
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 18,977,955	\$ 17,647,774
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	\$ 25,577,706	\$ 21,973,477
Decrease in short term investments	(239,988)	(4,987,932)
Increase (decrease) in cash and cash equivalents	(1,313,466)	4,205,957
CASH AND SHORT TERM INVESTMENTS – END OF PERIOD	\$ 24,024,252	\$ 21,191,502
CASH PAID FOR TAXES	\$ (613,699)	\$ -

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

BioSynt 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, 2021	\$ 6,392,428	\$ 1,494,419	\$ (166,705)	\$ 19,075,814	\$ 26,795,956
Comprehensive Income for the period	-	-	(70,443)	1,664,368	1,593,925
Common shares repurchased under Normal Course Issuer Bid (Note 16)	(37,190)	-	-	(488,780)	(525,970)
Common shares purchased and held in RSU Plan Trust (Note 16)	(187,015)	-	-	-	(187,015)
Effect of Share-based payments: Options vested (Note 16)	-	25,779	-	-	25,779
Effect of Share-based payments: Options exercised (Note 16)	9,034	(4,497)	-	-	4,537
Effect of Share-based payments: RSU expense (Note 16)	-	41,495	-	-	41,495
Balance as of March 31, 2021	\$ 6,177,257	\$ 1,557,196	\$ (237,148)	\$ 20,251,402	\$ 27,748,707

	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	-	-	18,878	1,451,518	1,470,396
Common shares repurchased under Normal Course Issuer Bid (Note 16)	(139,006)	-	-	(1,063,841)	(1,202,847)
Common shares purchased and held in RSU Plan Trust (Note 16)	(463,807)	-	-	-	(463,807)
Effect of Share-based payments: Options vested (Note 16)	-	53,006	-	-	53,006
Balance as of March 31, 2020	\$ 6,576,804	\$ 1,288,555	\$ (86,422)	\$ 17,872,321	\$ 25,651,258

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. (“**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 May 26, 2021.

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.

Certain amounts in the prior period have been reclassified to conform with the presentation of the current period financial statements. These reclassifications had no effect on the reported results of operations.

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, 2020.

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, 2020.

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, 2020.

5. COVID-19

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:

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, both in its head office and in the field.

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 may 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 (both in community clinics and in hospitals) 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 safety restrictions affect consumer buying behaviour, this will affect demand for the Company's pharmaceutical products 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 globally. 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.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	March 31, 2021	December 31, 2020
Cash on deposit in banks	\$8,013,131	\$10,326,877
Redeemable GICs	10,964,824	9,964,544
Total cash and cash equivalents	\$18,977,955	\$20,291,421

7. Short term Investments

Short term investments consist of the following:

	March 31, 2021	December 31, 2020
Non-redeemable GICs	\$4,043,968	\$4,043,968
Dual Currency Deposits (Note 10)	1,002,329	1,242,317
Total short term investments	\$5,046,297	\$5,286,285

8. Trade and Other Receivables

Trade and other receivables are summarized as follows:

	March 31, 2021	December 31, 2020
Trade accounts receivable	\$2,135,454	\$1,599,028
Other receivables	257,753	215,987
Total trade and other receivables	\$2,393,207	\$1,815,015

9. Inventory

Inventory is comprised of the following:

	March 31, 2021	December 31, 2020
Raw and Packaging Materials	\$412,787	\$366,757
Finished Goods	2,293,357	1,706,804
Total inventory	\$2,706,144	\$2,073,561

Cost of goods sold is comprised of the following:

	March 31, 2021	March 31, 2020
Raw and Packaging Materials and Finished Goods	\$1,531,772	\$1,207,145
Freight	32,122	53,958
Total cost of goods sold	\$1,563,894	\$1,261,103

10. 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.

➤ Foreign Exchange Instruments:

The Company periodically enters into foreign exchange options and forward contracts with financial institutions with investment grade credit ratings to manage its foreign exchange risk on contracts denominated in U.S. dollars and Euros. Such instruments are classified as derivative financial instruments and measured at fair value through profit and loss.

Options:

As at March 31, 2021, the Company entered into foreign exchange options to purchase up to a total of USD 450,000 and USD 675,000 (December 31, 2020 – USD 900,000 and USD 1,350,000) at an exchange rate expressed in CAD per USD of 1.3100 which will be settled on various dates from April 2021 to June 2021. The Company's right to buy USD 450,000 on the respective settlement dates is subject to the spot exchange rate on the settlement dates being below a rate of 1.3900 CAD per USD. The Company's obligation to buy USD 675,000 on the respective settlement dates is subject to the spot exchange rate on the settlement dates being below a rate of 1.2775 CAD per USD.

Forward Contracts:

As at March 31, 2021, the Company entered into foreign exchange forward contracts to purchase a total of USD 650,000 (December 31, 2020 – USD 650,000) at exchange rates expressed in CAD per USD ranging from 1.3084 to 1.3215 which will be settled on various dates from April 2021 to October 2021.

As at December 31, 2020, the Company entered into foreign exchange forward contracts to purchase a total of EUR 450,000. The Company had not entered any such contracts as at March 31, 2021.

The fair value of foreign exchange instruments is estimated based on quoted values from financial institutions. The Company's foreign exchange instruments resulted in a derivative liability of \$73,825 as at March 31, 2021 (December 31, 2020 – \$78,608).

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

March 31, 2021	Level 1	Level 2	Level 3
Foreign Exchange Instruments	-	(\$73,825)	-

December 31, 2020	Level 1	Level 2	Level 3
Foreign Exchange Instruments	-	(\$78,608)	-

➤ **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:

March 31, 2021	Level 1	Level 2	Level 3
DCDs	-	\$1,002,329	-

December 31, 2020	Level 1	Level 2	Level 3
DCDs	-	\$1,242,317	-

At March 31, 2021, 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	1.2548	\$1,000,000	\$1,002,329	2.25%	May 25, 2021	1.2400

At December 31, 2020, 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	1.2965	\$1,250,000	\$1,242,317	3.26%	January 4, 2021	1.2850

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 period and

adjusts the total net monetary liability balance accordingly. When it is appropriate to de-risk future foreign exchange transactions, the Company uses foreign exchange options, forward contracts, and DCDs 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

Description of Asset/(Liability)	March 31, 2021	December 31, 2020
	USD	USD
Cash and cash equivalents	2,186,541	1,551,272
Short term investments	-	975,744
Trade receivables	2,680	17,292
Less: Accounts payable	(582,548)	(591,928)
Net Total	1,606,673	1,952,380
Foreign Exchange Rate CAD per USD at the end of the year	1.2575	1.2732

At March 31, 2021, 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 \$148,499 higher or lower on an after-tax basis, respectively (December 31, 2020 - \$182,704 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis – EUR

Description of Asset/(Liability)	March 31, 2021	December 31, 2020
	EUR	EUR
Cash and cash equivalents	1,018,640	743,512
Less: Customer deposits	-	(441,000)
Less: Accounts payable	(196,023)	(85,563)
Net Total	822,617	216,949
Foreign Exchange Rate CAD per EUR at the end of the year	1.4759	1.5608

At March 31, 2021, 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 \$89,236 higher or lower on an after-tax basis, respectively (December 31, 2020 - \$25,877 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 13) 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	March 31, 2021	December 31, 2020
Current	\$2,004,712	\$1,444,432
Past due 1-30 days	138,328	110,964
Past due 31-60 days	21,991	22,783
Past due over 60 days	23,434	87,559
Expected Credit Losses	(53,011)	(66,710)
Closing Balance	\$2,135,454	\$1,599,028
Maximum Credit Risk	2,188,464	1,665,738

As of March 31, 2021, one customer represents 51% of trade receivables (December 31, 2020 - 43%) while another customer represents 15% of trade receivables (December 31, 2020 -

15%), and a third customer represents 14% of trade receivables (December 31, 2020 - 19%). There have been no past credit losses from these customers.

The Company has provided for expected credit losses of \$53,011 (December 31, 2020 – \$66,710) related to certain disputed deductions on trade receivables by certain Canadian pharmaceutical wholesale customers. During the three months ended March 31, 2021, the Company recovered \$13,699 of previously recorded expected credit losses on accounts receivable.

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 March 31, 2021.

11. Property and equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Right-of-Use Asset (see Note 15)	Leasehold Improvements	Total
COST:							
December 31, 2019	\$250,060	\$220,078	\$266,764	\$371,065	\$1,330,455	\$680,511	\$3,118,933
2020 Additions	4,879	-	8,739	-	-	-	13,618
December 31, 2020	\$254,939	\$220,078	\$275,503	\$371,065	\$1,330,455	\$680,511	\$3,132,551
2021 Additions	-	4,100	-	-	-	-	4,100
March 31, 2021	\$254,939	\$224,178	\$275,503	\$371,065	\$1,330,455	\$680,511	\$3,136,651
ACCUMULATED DEPRECIATION:							
December 31, 2019	\$(88,020)	\$(61,896)	\$(173,461)	\$(246,583)	\$(44,349)	\$(22,358)	\$(636,667)
Changes in 2020	(32,896)	(33,546)	(29,302)	(37,345)	(133,046)	(68,051)	(334,186)
December 31, 2020	\$(120,916)	\$(95,442)	\$(202,763)	\$(283,928)	\$(177,395)	\$(90,409)	\$(970,853)
Changes in 2021	(6,701)	(6,232)	(5,609)	(6,535)	(33,261)	(17,013)	(75,351)
March 31, 2021	\$(127,617)	\$(101,674)	\$(208,372)	\$(290,463)	\$(210,656)	\$(107,422)	\$(1,046,204)
CARRYING AMOUNT							
December 31, 2019	\$162,040	\$158,182	\$93,303	\$124,482	\$1,286,106	\$658,153	\$2,482,266
December 31, 2020	\$134,023	\$124,636	\$72,740	\$87,137	\$1,153,060	\$590,102	\$2,161,698
March 31, 2021	\$127,322	\$122,504	\$67,131	\$80,602	\$1,119,799	\$573,089	\$2,090,447

12. Intangible Assets

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks and Patents	Trade Certifications	Total
COST:						
December 31, 2019	\$ 1,502,207	\$ 893,020	\$ 71,950	\$ 92,786	\$ 3,936	\$ 2,563,899
2020 Additions	29,851	60,000	60,549	10,280	-	160,680
December 31, 2020	\$ 1,532,058	\$ 953,020	\$ 132,499	\$ 103,066	\$ 3,936	\$ 2,724,579
2021 Additions	2,382	-	-	-	-	2,382
March 31, 2021	\$ 1,534,440	\$ 953,020	\$ 132,499	\$ 103,066	\$ 3,936	\$ 2,726,961
ACCUMULATED AMORTIZATION:						
December 31, 2019	\$ (54,103)	\$ (297,794)	\$ -	\$ (13,121)	\$ (796)	\$(365,814)
Changes in 2020	(87,395)	(81,513)	(1,504)	(5,031)	(793)	(176,236)
December 31, 2020	\$ (141,498)	\$ (379,307)	\$ (1,504)	\$ (18,152)	\$ (1,589)	\$(542,050)
Changes in 2021	(20,896)	(20,821)	(1,727)	(1,244)	(197)	(44,885)
March 31, 2021	\$ (162,394)	\$ (400,128)	\$ (3,231)	\$ (19,396)	\$ (1,786)	\$ (586,935)
ACCUMULATED IMPAIRMENT LOSSES:						
December 31, 2019	\$ (713,341)	\$ (461,366)	\$ -	\$ -	\$ -	\$(1,174,707)
Changes in 2020	-	-	-	-	-	-
December 31, 2020	\$ (713,341)	\$ (461,366)	\$ -	\$ -	\$ -	\$(1,174,707)
Changes in 2021	-	-	-	-	-	-
March 31, 2021	\$ (713,341)	\$ (461,366)	\$ -	\$ -	\$ -	\$(1,174,707)
CARRYING AMOUNT						
December 31, 2019	\$ 734,763	\$ 133,860	\$ 71,950	\$ 79,665	\$ 3,140	\$ 1,023,378
December 31, 2020	\$ 677,219	\$ 112,347	\$ 130,995	\$ 84,914	\$ 2,347	\$ 1,007,822
March 31, 2021	\$ 658,705	\$ 91,526	\$ 129,268	\$ 83,670	\$ 2,150	\$ 965,319

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred product dossier and filing costs of \$1,534,440 (December 31, 2020 – \$1,532,058) to date on several products. The 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, ranging from 1 to 15 years.

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®. On May 10, 2019, the Company received regulatory approval from Health Canada for the Tibella® product

which was subsequently launched in Canada in July 2020. The Company has incurred \$466,123 in development costs related to this product. Such costs are included in intangible assets as New Product Dossier and Filing Costs and are being amortized on a straight-line basis over the 8-year estimated useful life of the product. 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 19).

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 launched the Combogesic® product in Canada in December 2020. The Company has directly incurred \$202,367 in development

costs related to these products. Such costs are included in intangible assets as New Product Dossier and Filing Costs and are being amortized over the 15-year estimated useful life of the Combogesic® product. 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 19).

For the three months ended March 31, 2021, \$20,896 of amortization expense on New Product Dossier and Filing Costs (three months ended March 31, 2020 - \$14,274) 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 17).

Product Licenses and Rights

Cumulatively, the Company has incurred costs related to the acquisition of product licenses and rights totalling \$953,020 (December 31, 2020 - \$953,020).

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, 2020 - \$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 remaining estimated economic life.

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 19).

On October 1, 2020, the Company entered into an exclusive License and Supply Agreement to acquire the exclusive rights to distribute a women's health product in Canada and a license of certain trademarks and technology related thereto. The product has not yet been launched by the Company and amortization of the asset has not yet commenced.

For the three months ended March 31, 2021, \$20,821 of amortization expense on product licenses and rights (three months ended March 31, 2020 - \$19,935) 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 17).

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling \$132,499 (December 31, 2020 - \$132,499) relating to the development of new products. The Company has commenced amortization of certain of these costs upon the completion of development. For the three months ended March 31, 2021, \$1,727 of amortization expense (three months ended March 31, 2020 - \$7,300) 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 17).

Trademarks and Patents

The Company has incurred cumulative trademark and patent application and filing costs of \$103,066 (December 31, 2020 - \$103,066) 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 three months ended March 31, 2021, \$1,244 of amortization expense (three months ended March 31, 2020 - \$1,344) 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 17).

Trade Certifications

The Company has incurred legal and other costs in obtaining certain international trade certifications and permits totalling \$3,936 (December 31, 2020 - \$3,936). This asset is being amortized over its 5-year estimated useful life. For the three months ended March 31, 2021, \$197 of amortization expense (three months ended March 31, 2020 - \$197) 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 17).

13. 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, 2019	588,467
Accrued Interest	8,865
Balance, December 31, 2020	597,332
Accrued Interest	1,473
Balance, March 31, 2021	598,805

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 \$1,473 was accrued on the loans for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$2,935) 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 within 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*.

14. Contract Liability

Under the terms of the August 18, 2015 Distribution and Supply 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 period for any changes in circumstances.

The table below summarizes changes in the contract liability for the year ended December 31, 2020 and three months ended March 31, 2021:

	Contract Liability (\$)
Balance, December 31, 2019	99,141
Estimated variable consideration	680,797
Settlement of variable consideration	(533,814)
Balance, December 31, 2020	246,124
Estimated variable consideration	35,210
Settlement of variable consideration	(101,141)
Balance, March 31, 2021	180,193

15. 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*, the Company has recognized a right-of-use asset in respect of this office lease based on a 10-year lease term (see Note 11).

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 (\$)
Balance, December 31, 2019	1,853,114
Interest expense	92,942
Payments	(237,195)
Balance, December 31, 2020	1,708,861
Interest expense	21,751
Payments	(59,300)
Balance, March 31, 2021	1,671,312
Current portion, March 31, 2021	153,905
Long-term portion, March 31, 2021	1,517,407
Current portion, December 31, 2020	151,949
Long-term portion, December 31, 2020	1,556,912

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

Fiscal Year	Lease Payments
2021	\$ 177,896
2022	\$ 238,952
2023	\$ 242,466
2024	\$ 242,466
2025	\$ 245,980
Beyond next 5 fiscal years	\$ 927,696
Total	\$ 2,075,456

Not included in the lease liability, the Company incurred occupancy costs, net of recoveries, related to its office leases of \$24,379 for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$30,397) which have been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income.

16. 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 Issued Common Shares	Number of Treasury Shares	Number of Outstanding Common Shares	Amount
Balance, December 31, 2019	13,530,445	-	13,530,445	\$7,179,617
Options exercised	1,196	-	1,196	14,718
Shares repurchased under NCIB and cancelled (d)	(594,275)	-	(594,275)	(308,089)
Shares purchased for RSU Plan Trust and held in Treasury (e)	-	(132,200)	(132,200)	(493,818)
Balance, Issued Shares, December 31, 2020	12,937,366	(132,200)	12,805,166	\$6,392,428
Options exercised (c)	609	-	609	9,034
Shares repurchased under NCIB and cancelled (d)	(74,500)	-	(74,500)	(37,190)
Shares purchased for RSU Plan Trust and held in Treasury (e)	-	(25,000)	(25,000)	(187,015)
Balance, Issued Shares, March 31, 2021	12,863,475	(157,200)	12,706,275	\$6,177,257

c. Options exercised

During the three months ended March 31, 2021, 609 common shares were issued against options exercised (three months ended March 31, 2020 – nil common shares) for total proceeds of \$4,537 (three months ended March 31, 2020 - \$nil) and \$4,497 in fair value was transferred from contributed surplus to share capital (three months ended March 31, 2020 - \$nil).

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 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 were 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, 2020, the Company repurchased 594,275 of its common shares for an aggregate price of \$2,503,810 and incurred costs of \$8,444 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 \$308,089.

On December 11, 2020, 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 950,000 of its own common shares for cancellation over a further 12-month period commencing on December 17, 2020 and ending on December 16, 2021. 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 three months ended March 31, 2021, the Company repurchased 74,500 of its common shares for an aggregate price of \$525,225 and incurred costs of \$745 related to the repurchase of these shares. The Company's retained earnings were reduced by \$488,780 upon the repurchase of these shares, representing the excess of the aggregate repurchase price over the reduction in share capital of \$37,190.

e. Treasury shares

During the year ended December 31, 2020, the Company purchased 132,200 of its common shares pursuant to its Restricted Share Unit ("RSU") Plan (see Note 16(g)) for an aggregate purchase price of \$493,818.

During the three months ended March 31, 2021, the Company purchased 25,000 of its common shares pursuant to its Restricted Share Unit ("RSU") Plan (see Note 16(g)) for an aggregate purchase price of \$187,015.

157,200 treasury shares are held in trust as of March 31, 2021 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 March 31, 2021 (December 31, 2020 – 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.

On March 19, 2021, a total of 67,252 RSUs were granted to certain employees, senior management, and directors of the Company with a fair value of \$7.30 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 19, 2024 and certain of these units shall vest quarterly on March 31, 2024, June 30, 2024, September 30, 2024, and December 31, 2024.

During the three months ended March 31, 2021, the Company recorded net share-based payment expense of \$41,495 (three months ended March 31, 2020 – \$nil) relating to RSUs granted to employees, directors, officers and advisors under the RSU Plan, which is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

As at March 31, 2021, there were 196,377 RSUs outstanding (December 31, 2020 – 129,125), as shown below:

	March 31, 2021		December 31, 2020	
	Number of RSUs	Weighted average grant price	Number of RSUs	Weighted average grant price
Outstanding, beginning of period	129,125	\$3.61	-	-
Granted	67,252	\$7.30	129,125	\$3.61
Outstanding, end of period	196,377	\$4.87	129,125	\$3.61

The weighted-average remaining contractual life of the 196,377 RSUs outstanding is 2.64 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.

No options were granted by the Company during the year ended December 31, 2020.

No options were granted by the Company during the three months ended March 31, 2021.

During the three months ended March 31, 2021, the Company recorded net share-based payment expense of \$25,779 (three months ended March 31, 2020 – \$53,006) relating to previous option grants to employees, directors, officers and advisors under the SOP, which is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

As at March 31, 2021, there were 173,230 options outstanding (December 31, 2020 – 173,839), as shown below:

	March 31, 2021		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	173,839	\$8.32	177,512	\$8.30
Granted	-	-	-	-
Expired or forfeited	-	-	(2,477)	\$7.78
Exercised	(609)	\$7.45	(1,196)	\$6.20
Outstanding, end of period	173,230	\$8.32	173,839	\$8.32

Of the total number of options outstanding as of March 31, 2021, options totalling 144,703 have vested and are exercisable by the option holders (December 31, 2020 – 124,120). These exercisable options have a weighted average exercise price of \$8.23 (December 31, 2020 – \$8.21).

The weighted-average remaining contractual life of the 173,230 (December 31, 2020 – 173,839) options outstanding is 6.02 years (December 31, 2020 – 6.26 years) and the range of exercise prices for these options is \$6.20 – \$10.97 (December 31, 2020 – \$6.20 – \$10.97).

609 options were exercised during the three months ended March 31, 2021 (three months ended March 31, 2020 – nil options). The weighted average share price on the date of exercise of options exercised during the three months ended March 31, 2021 was \$7.65 (three months ended March 31, 2019 – n/a).

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 per cent of the applicable employee’s gross base salary.

During the three months ended March 31, 2021, the Company recorded share-based payment expense of \$nil (three months ended March 31, 2020 – \$19,908) relating to the Company’s contributions to the ESPP for the purchase of common shares on behalf of participating employees. Company and employee contributions to the ESPP were temporarily suspended between April 1, 2020 and March 31, 2021.

17. 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 March 31,	
	2021	2020
Cost of goods sold	\$1,563,894	\$1,261,103
Selling and marketing	\$2,279,295	\$1,580,612
Advertising, Promotion and Selling Costs	1,381,696	823,206
Employee Costs	708,904	621,047
Logistics, Quality Control & Regulatory	188,242	127,664
Share-based Payments	453	8,695
General and administration	\$1,298,615	\$1,343,390
Employee Costs	724,039	631,614
Corporate Expenses	154,967	296,989
Net Foreign Exchange Losses (Gains)	80,236	(27,112)
Depreciation - Property and Equipment (Note 11)	75,351	86,184
Share-based Payments	66,821	64,219
Professional Fees	56,031	67,858
Information Technology	47,678	31,641
Amortization - Intangible Assets (Note 12)	44,885	43,050
Insurance	28,757	25,758
Research and Development	19,850	123,189
New business development costs	\$39,236	\$8,988
Finance costs	\$21,751	\$23,615
Interest expense - lease liability (Note 15)	21,751	23,615
Finance income	\$ (36,616)	\$ (90,220)
Interest Income	(36,616)	(90,220)

18. Earnings per Share

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

	Three months ended March 31,	
	2021	2020
Numerator		
Net income attributable to common shareholders	\$1,664,368	\$1,451,518
Denominator		
Basic		
Weighted average number of shares outstanding	12,787,555	13,447,666
Effect of dilutive securities	142,533	129,125
Diluted		
Weighted average number of shares outstanding	12,930,088	13,576,791
Basic earnings per share	\$0.13	\$0.11
Diluted earnings per share	\$0.13	\$0.11

19. Contingencies

Litigations

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at March 31, 2021, 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 12), milestone payments averaging \$213,968(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. Management believes no such payment was required as of March 31, 2021.

Women's Health Product 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 12), 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. For the three months ended March 31, 2021, such fees have been accrued and included in accounts payable and accrued liabilities on the Consolidated Statements of Financial Position.

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.

20. Commitments

Office Lease

The Company's current office lease agreement commenced on September 1, 2019 and extends to August 31, 2029 (see Note 15).

The Company's undiscounted minimum future rental payments and estimated 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
2021	\$274,830
2022	\$368,197
2023	\$371,711
2024	\$371,711
2025	\$375,225
Beyond Next 5 Fiscal Years	\$1,401,596
Total	\$3,163,270

Purchase Commitments

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

21. 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 months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Number of Key Management Personnel	6	6
Salary, Benefits, and Bonus	\$312,368	\$310,811
Share-Based Payments	\$40,762	\$44,575

During the three months ended March 31, 2021, the Company recorded share-based payment expense of \$40,762 (three months ended March 31, 2020 - \$44,575) 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 three months ended March 31, 2021, the Company paid cash fees to its directors in the amount of \$27,328 (three months ended March 31, 2020 - \$17,281) and share-based payments of \$7,202 (three months ended March 31, 2020 - \$nil).

22. 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:

March 31, 2021	\$27,748,707
December 31, 2020	\$26,795,956

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 March 31, 2021. There were no changes in the Company's approach to capital management during the period.

23. 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 March 31, 2021, 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 March 31, 2021.

24. 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% (2020 – 26.5%) in the Canadian jurisdiction, 21.0% (2020 – 21.0%) in the U.S. jurisdiction, and 2.5% (2020– 2.5%) in the Barbados jurisdiction.

25. 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 March 31,	
	2021	2020
Canada		
Pharmaceutical Business	\$6,233,763	\$5,955,561
Insecticide Business	32,666	-
Total Canada	\$6,266,429	\$5,955,561
International Jurisdictions		
Pharmaceutical Business - Middle East	\$1,140,279	\$67,968
Insecticide Business - United States	13,181	39,317
Total International Jurisdictions	\$1,153,460	\$107,285
Total Revenue	\$7,419,889	\$6,062,846

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.

	March 31, 2021	December 31, 2020
Canada	\$3,603,058	\$3,703,260
United States	20,307	20,040
Barbados	76,651	74,033
Total Non-current Assets	\$3,700,016	\$3,797,333

Corporate Information

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Sara Elford

British Columbia, Canada

René C. Goehrum (Chair)

Ontario, Canada

Peter D. Lockhard (Lead Director)

Ontario, Canada

Stephen Wilton

Ontario, Canada

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Chief Executive Officer

Robert J. March

Vice-President and
Chief Financial Officer

Registrar and Transfer Agent

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St. Michael, Barbados

Banks

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Toronto, Ontario, Canada

Canadian Imperial Bank of Commerce

Toronto, Ontario, Canada

City National Bank

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Stock Listing

TSX Venture Exchange

Trading symbol: RX