

BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

**For the three and nine months ended
September 30, 2019 and 2018**

Expressed in Canadian Dollars

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NOTE TO READER:

These Interim Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2019 and 2018 (“the financial statements”) replace those previously filed on November 20, 2019 which have been revised to correct a typographical error in a heading on page 2: The heading “*Interim Unaudited Condensed Consolidated Statements of Comprehensive Income*” has been corrected to read “*Interim Unaudited Condensed Consolidated Statements of Financial Position*”. There are no other changes to the financial statements previously filed on November 20, 2019.

December 6, 2019

BioSyent Inc.



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 nine months ended September 30, 2019 and 2018.

Robert J. March

Vice-President and Chief Financial Officer, BioSyent Inc.

November 19, 2019

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

AS AT	September 30, 2019	December 31, 2018
ASSETS		
Trade and other receivables (Note 5)	\$2,916,160	\$2,115,293
Inventory (Note 6)	2,104,997	1,483,392
Prepaid expenses and deposits	275,357	300,821
Income tax recoverable	160,461	-
Derivative asset (Note 7)	33,267	27,344
Short-term investments (Note 8)	9,098,415	7,592,332
Cash and cash equivalents (Note 9)	10,713,916	16,832,769
CURRENT ASSETS	25,302,573	28,351,951
Property and equipment (Note 10)	2,570,305	271,785
Intangible assets (Note 11)	1,524,824	1,942,682
Loans receivable (Note 12)	585,559	576,929
Deferred tax asset	34,383	45,144
TOTAL NON CURRENT ASSETS	4,715,071	2,836,540
TOTAL ASSETS	\$30,017,644	\$31,188,491
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$2,425,685	\$2,779,672
Contract liability	61,161	112,353
Lease liability - current (Note 13)	142,945	-
Income tax payable	-	321,752
CURRENT LIABILITIES	2,629,791	3,213,777
Deferred tax liability	270,394	369,052
Lease liability - non current (Note 13)	1,733,090	-
TOTAL NON CURRENT LIABILITIES	2,003,484	369,052
Share capital (Note 14)	7,244,999	7,654,993
Contributed surplus	1,172,913	976,957
Cumulative translation adjustment	(7,525)	(14,734)
Retained earnings	16,973,982	18,988,446
Total Equity	25,384,369	27,605,662
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$30,017,644	\$31,188,491

Contingencies (Note 17)

Commitments (Note 18)

Related party transactions (Note 19)

APPROVED ON BEHALF OF THE BOARD



René Goehrum
DIRECTOR



Peter Lockhard
DIRECTOR

November 19, 2019

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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net revenues from contracts with customers	\$6,219,748	\$5,259,493	\$15,855,038	\$15,616,063
Cost of goods sold (<i>Notes 6, 15</i>)	1,527,351	1,155,171	3,571,428	3,542,971
Gross profit	4,692,397	4,104,322	12,283,610	12,073,092
Selling, general & administration expenses (<i>Note 15</i>)	2,783,671	2,563,226	8,377,248	7,218,455
New business development costs (<i>Note 15</i>)	50,326	30,551	79,282	73,406
Finance costs (<i>Note 13</i>)	7,984	-	7,984	-
Finance income (<i>Note 15</i>)	(169,231)	(255,851)	(382,282)	(597,404)
NET INCOME BEFORE TAXES	2,019,647	1,766,396	4,201,378	5,378,635
Current income tax	475,476	496,466	1,087,826	1,260,301
Deferred tax (recovery)	11,745	(683)	(87,898)	84,358
NET INCOME AFTER TAXES	1,532,426	1,270,613	3,201,450	4,033,976
OTHER COMPREHENSIVE INCOME				
Currency translation gains	19,373	34,173	7,209	8,529
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$1,551,799	\$1,304,786	\$3,208,659	\$4,042,505
Basic earnings per share (<i>Note 16</i>)	\$0.11	\$0.09	\$0.23	\$0.28
Diluted earnings per share (<i>Note 16</i>)	\$0.11	\$0.09	\$0.23	\$0.28

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 nine months ended September 30,	2019	2018
OPERATING ACTIVITIES		
Net income for the period	\$3,201,450	\$4,033,976
Items not affecting cash:		
Depreciation - property and equipment (Note 10)	111,835	60,801
Amortization - intangible assets (Note 11)	72,815	73,493
Impairment loss on intangible assets (Note 11)	424,941	13,316
Share-based payments (Note 14)	200,609	289,704
Change in derivative asset	(5,923)	(114,346)
Current income tax	1,087,826	1,260,301
Deferred tax	(87,898)	84,358
Cash paid for taxes	(1,557,000)	(1,015,938)
Net change in non-cash working capital items:		
Trade and other receivables	(800,867)	(60,497)
Inventory	(621,605)	(431,185)
Prepaid expenses and deposits	25,464	(323,434)
Accounts payable and accrued liabilities	(288,923)	(364,720)
Contract liability	(51,192)	69,502
Cash provided by operating activities	1,711,532	3,575,331
INVESTING ACTIVITIES		
Additions to property and equipment (Note 10)	(2,410,355)	(26,644)
Additions to intangible assets (Note 11)	(79,898)	(342,477)
Increase in short term investments	(1,506,083)	(4,503,306)
Interest receivable - MSLP (Note 12)	(8,630)	-
Cash used in investing activities	(4,004,966)	(4,872,427)
FINANCING ACTIVITIES		
Increase in lease liability (Note 13)	1,895,801	-
Payments - lease liability principal (Note 13)	(11,782)	-
Payments - lease liability interest (Note 13)	(7,984)	-
Proceeds from stock options exercised (Note 14)	4,724	51,618
Repurchase of common shares - NCIB (Note 14)	(5,713,387)	-
Cash provided by (used in) financing activities	(3,832,628)	51,618
Effect of foreign currency translation adjustment	7,209	8,529
DECREASE IN CASH AND CASH EQUIVALENTS	(6,118,853)	(1,236,949)
Cash and cash equivalents, beginning of period	16,832,769	12,651,951
CASH AND CASH EQUIVALENTS – END OF PERIOD	\$10,713,916	\$11,415,002
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	\$24,425,101	\$19,338,435
Increase in short term investments	1,506,083	4,503,306
Decrease in cash and cash equivalents	(6,118,853)	(1,236,949)
CASH AND SHORT TERM INVESTMENTS - END OF PERIOD	\$19,812,331	\$22,604,792

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

BioSynt Inc.**Interim Unaudited Condensed Consolidated Statements of Shareholders' Equity**

(Expressed in Canadian Dollars)

	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	-	-	7,209	3,201,450	3,208,659
Common shares repurchased under Normal Course Issuer Bid (Note 14)	(419,371)	-	-	(5,215,914)	(5,635,285)
Effect of Share-based payments: Options granted / vested (Note 14)	-	200,609	-	-	200,609
Effect of Share-based payments: Options exercised (Note 14)	\$ 9,377	(4,653)	-	-	4,724
Balance as of September 30, 2019	\$ 7,244,999	\$ 1,172,913	\$ (7,525)	\$ 16,973,982	\$ 25,384,369

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2018	\$ 7,518,403	\$ 679,169	\$ 904	\$ 14,014,451	\$ 22,212,927
Cumulative effect of adopting IFRS 15				(42,444)	(42,444)
Balance as of January 1, 2018 (as restated)	7,518,403	679,169	904	13,972,007	22,170,483
Comprehensive Income for the period	-	-	8,529	4,033,976	4,042,505
Effect of Share-based payments: Options granted / vested (Note 14)	-	289,704	-	-	289,704
Effect of Share-based payments: Options exercised (Note 14)	99,527	(47,909)	-	-	51,618
Balance as of September 30, 2018	\$ 7,617,930	\$ 920,964	\$ 9,433	\$ 18,005,983	\$ 26,554,310

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 Argentea Road, Suite 402,

Mississauga, Ontario, Canada L5N 6M1.

These Financial Statements were approved by the Board of Directors on November 19, 2019.

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 periods presented.

Statement of Compliance

These Financial Statements are in compliance with International Accounting Standard 34, “Interim Financial 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, 2018.

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 Changes to 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, 2018, except as follows:

a. Adoption of IFRS 16 Leases:

Effective January 1, 2019, the Company adopted IFRS 16 *Leases*. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*

and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease are recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and is depreciated on a straight-line basis over the term of the lease contract. The liability is unwound using the interest rate inherent in the lease.

The date of initial application of IFRS 16 is January 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, comparative figures are not restated. The cumulative effect of adopting IFRS 16 is recognized as an adjustment to opening retained earnings.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases and to apply IFRS 16 only to contracts that were previously identified as leases under IAS 17 *Leases*. Contracts that were not identified as leases under IAS 17 *Leases* have not been reassessed for whether a lease exists. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less, including its office lease extension which expired on August 31, 2019, and for leases of low-value assets. Accordingly, no adjustments have been made to opening retained earnings as of the date of initial application of IFRS 16.

The Company currently leases its head office space. The Company's current office lease commenced on September 1, 2019 and extends to August 31, 2029. The non-cancellable period of this new office lease is 10 years. As required under IFRS 16 *Leases*, the Company has recognized a right-of-use asset and a lease liability in respect of this new office lease (see *Notes 10 and 13*). The right-of-use asset is being depreciated on a straight-line basis over the 10-year term of the lease.

b. Application of IFRIC 23, *Uncertainty over Income Tax Treatments*:

The Company has applied IFRIC 23 effective as of January 1, 2019. In June 2017, the IASB issued the International Financial Reporting Interpretations Committee Interpretation 23 ("IFRIC 23") which clarifies application of the recognition and measurement requirement in IAS 12, *Income Taxes*. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by a tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. The Company has concluded that IFRIC 23 has no material impact on its consolidated financial statements.

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, 2018.

5. Trade and Other Receivables

Trade and other receivables are summarized as follows:

	September 30, 2019	December 31, 2018
Trade accounts receivable	\$2,588,112	\$2,039,151
Other receivables	328,048	76,142
Total trade and other receivables	\$2,916,160	\$2,115,293

6. Inventory

Inventory is comprised of the following:

	September 30, 2019	December 31, 2018
Raw and Packaging Materials	\$390,056	\$309,626
Finished Goods	1,714,941	1,173,766
Total	\$2,104,997	\$1,483,392

Cost of goods sold is comprised of the following:

	Three months ended,	
	September 30, 2019	September 30, 2018
Raw and Packaging Materials and Finished Goods	\$1,498,275	\$1,110,531
Freight	29,076	44,640
Total	\$1,527,351	\$1,155,171

	Nine months ended,	
	September 30, 2019	September 30, 2018
Raw and Packaging Materials and Finished Goods	\$3,491,528	\$3,400,978
Freight	79,900	141,993
Total	\$3,571,428	\$3,542,971

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, trade and other receivables, loans receivable, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these instruments.

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.

➤ Forward Contracts:

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in U.S. dollars with financial institutions with

September 30, 2019	Level 1	Level 2	Level 3
Forward Contracts	-	\$33,267	-

December 31, 2018	Level 1	Level 2	Level 3
Forward Contracts	-	\$27,344	-

➤ 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

investment grade credit ratings. Such contracts are classified as derivative financial instruments and measured at fair value through profit and loss. As at September 30, 2019, the Company entered into forward contracts to purchase up to a total of USD 330,000 and USD 495,000 (December 31, 2018 – USD 2,270,000 and USD 3,405,000) at exchange rates expressed in CAD per USD ranging from 1.2500 to 1.2600 which will be settled on various dates from October 2019 to November 2019. The Company's right to buy USD 330,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.3450 to 1.3500 CAD per USD. The Company's obligation to buy USD 495,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.2200 to 1.2500 CAD per USD.

The fair value of forward exchange contracts is estimated based on quoted values from financial institutions. The Company's foreign exchange forward contracts resulted in a derivative asset of \$33,267 as at September 30, 2019 (December 31, 2018 – \$27,344).

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

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.

At September 30, 2019, the Company had nil DCDs.

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

September 30, 2019	Level 1	Level 2	Level 3
DCDs	-	-	-

December 31, 2018	Level 1	Level 2	Level 3
DCDs	-	\$1,507,542	-

At September 30, 2019, the Company had nil DCDs.

At December 31, 2018, 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	1.3566	\$1,500,000	\$1,507,542	3.83%	March 25, 2019	1.3300

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

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

➤ **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

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)	September 30, 2019	December 31, 2018
	USD	USD
Cash and cash equivalents	111,606	418,338
Trade receivables	52,577	79,577
Less: Accounts payable	(199,406)	(609,106)
Net Total	(35,223)	(111,191)
Foreign Exchange Rate CAD per USD at the end of the period	1.3243	1.3642

At September 30, 2019, 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 \$3,428 lower or higher on an after-tax basis, respectively (December 31, 2018 - \$11,149 lower or higher, respectively).

Foreign Exchange Sensitivity Analysis - EUR

Description of Asset/(Liability)	September 30, 2019	December 31, 2018
	EUR	EUR
Cash and cash equivalents	552,404	505,166
Trade receivables	-	243,905
Less: Accounts payable	(138,060)	(211,734)
Net Total	414,344	537,337
Foreign Exchange Rate CAD per EUR at the end of the period	1.4438	1.5613

At September 30, 2019, 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 \$43,970 higher or lower on an after-tax basis, respectively (December 31, 2018 - \$61,663 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.

Aged Trade Accounts Receivable	September 30, 2019	December 31, 2018
Current	\$ 1,763,318	\$ 1,386,339
Past due 1-30 days	515,541	570,614
Past due 31-60 days	34,113	47,108
Over 60 days	275,140	35,090
Closing Balance	\$ 2,588,112	\$ 2,039,151
Maximum Credit Risk	2,588,112	2,039,151

As of September 30, 2019, one customer represents 36% of trade receivables (December 31, 2018 - 27%) while another customer represents 24% of trade receivables (December 31, 2018 - 39%), and a third customer represents 12% of trade receivables (December 31, 2018 - 2%). There have been no past defaults by any of these three customers.

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

➤ **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 period end 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. None of these customers have defaulted in settling their liabilities to the Company. Based on its historical experience and customer base, the Company does not consider past due trade receivables to be impaired as of September 30, 2019.

expenditures. All contractual maturities of accounts payable and accrued liabilities are due within one year. The Company has no other liabilities.

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 three months ended September 30, 2019.

8. Short-term Investments

Short term investments consist of the following:

	September 30, 2019	December 31, 2018
Non-redeemable GICs	\$9,098,415	\$6,084,790
Dual Currency Deposits	-	1,507,542
Total short-term investments	\$9,098,415	\$7,592,332

9. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	September 30, 2019	December 31, 2018
Cash on deposit in banks	\$6,608,920	\$9,227,774
Redeemable GICs	4,104,996	7,604,995
Total cash and cash equivalents	\$10,713,916	\$16,832,769

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, 2017	\$104,149	\$76,028	\$209,258	\$257,284	\$-	\$-	\$646,719
2018 Additions	-	13,000	21,967	33,188	-	-	68,155
December 31, 2018	\$104,149	\$89,028	\$231,225	\$290,472	\$-	\$-	\$714,874
2019 Additions	151,174	131,422	28,339	80,593	1,907,584	111,243	2,410,355
September 30, 2019	\$255,323	\$220,450	\$259,564	\$371,065	\$1,907,584	\$111,243	\$3,125,229
ACCUMULATED DEPRECIATION:							
December 31, 2017	\$(58,592)	\$(26,023)	\$(107,166)	\$(164,012)	\$-	\$-	\$(355,793)
Changes in 2018	(9,111)	(11,301)	(33,923)	(32,961)	-	-	(87,296)
December 31, 2018	\$(67,703)	\$(37,324)	\$(141,089)	\$(196,973)	\$-	\$-	\$(443,089)
Changes in 2019	(16,805)	(18,457)	(23,469)	(37,207)	(15,897)	-	(111,835)
September 30, 2019	\$(84,508)	\$(55,781)	\$(164,558)	\$(234,180)	\$(15,897)	\$-	\$(554,924)
CARRYING AMOUNT							
December 31, 2017	\$45,557	\$50,005	\$102,092	\$93,272	\$-	\$-	\$290,926
December 31, 2018	\$36,446	\$51,704	\$90,136	\$93,499	\$-	\$-	\$271,785
September 30, 2019	\$170,815	\$164,669	\$95,006	\$136,885	\$1,891,687	\$111,243	\$2,570,305

11. Intangible Assets

Intangible assets consist of new product development costs, product licenses and distribution rights as well as the costs to file patents, trademarks and applications for new product licenses issued by government regulatory bodies.

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks and Patents	Trade Certifications	Total
COST:						
December 31, 2017	\$862,526	\$893,020	\$59,987	\$82,701	\$-	\$1,898,234
2018 Additions	420,231	-	9,078	2,625	3,936	435,870
December 31, 2018	\$1,282,757	\$893,020	\$69,065	\$85,326	\$3,936	\$2,334,104
2019 Additions	37,067	-	41,132	1,699	-	79,898
September 30, 2019	\$1,319,824	\$893,020	\$110,197	\$87,025	\$3,936	\$2,414,002
ACCUMULATED AMORTIZATION:						
December 31, 2017	\$(27,078)	\$(138,310)	\$-	\$(4,284)	\$-	\$(169,672)
Changes in 2018	(13,964)	(79,742)	-	(4,284)	-	(97,990)
December 31, 2018	\$(41,042)	\$(218,052)	\$-	\$(8,568)	\$-	\$(267,662)
Changes in 2019	(9,796)	(59,806)	-	(3,213)	-	(72,815)
September 30, 2019	\$(50,838)	\$(277,858)	\$-	\$(11,781)	\$-	\$(340,477)
ACCUMULATED IMPAIRMENT LOSSES:						
December 31, 2017	\$(58,352)	\$-	\$-	\$-	\$-	\$(58,352)
Changes in 2018	(65,408)	-	-	-	-	(65,408)
December 31, 2018	\$(123,760)	\$-	\$-	\$-	\$-	\$(123,760)
Changes in 2019	(424,941)	-	-	-	-	(424,941)
September 30, 2019	\$(548,701)	\$-	\$-	\$-	\$-	\$(548,701)
CARRYING AMOUNT						
December 31, 2017	\$777,096	\$754,710	\$59,987	\$78,417	\$-	\$1,670,210
December 31, 2018	\$1,117,955	\$674,968	\$69,065	\$76,758	\$3,936	\$1,942,682
September 30, 2019	\$720,285	\$615,162	\$110,197	\$75,244	\$3,936	\$1,524,824

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred product dossier and filing costs of \$1,319,834 (December 31, 2018 – \$1,282,757) to date on several products, two of which, Aguettant System® Atropine and Phenylephrine pre-filled syringes, have been approved by Health Canada and launched to the market. The filing costs incurred in respect of these two launched products are being amortized on a straight-line basis over their estimated finite useful lives of 5 years based on marketability. For the nine months ended September 30, 2019, \$9,796 of amortization expense (nine months ended September 30, 2018 – \$9,796) 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 15).

In June 2019, the Company withdrew regulatory filings submitted to Health Canada for two cardiovascular pharmaceutical products for which the Company acquired exclusive Canadian distribution rights in 2016. Subsequent to receiving a Notice of Deficiency from Health Canada during the period, the Company and its European partner decided to withdraw the regulatory filings for these two products and not to further pursue regulatory approval. As such, the Company has recognized an impairment loss of \$424,941 related to these products, representing regulatory filing costs incurred to date, which is included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income (see Note 15).

Product Licenses and Rights

Cumulatively, the Company has incurred costs related to the acquisition of product licenses and rights totalling \$893,020 (December 31, 2018 – \$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, 2018 – \$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 nine months ended September 30, 2019, \$59,806 of amortization expense (nine months ended September 30, 2018 – \$60,484) 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 15).

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 17).

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 17). On May 13, 2019, the Company received regulatory approval from Health Canada for Tibella®.

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling \$110,197 (December 31, 2018 – \$69,065) relating to the development of a new product. The Company will commence amortization of these costs upon the completion of development.

Trademarks and Patents

The Company has incurred cumulative trademark and patent application and filing costs of \$87,025 (December 31, 2018 – \$85,326) 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 7 to 15 years). For the nine months ended September 30, 2019, \$3,213 of amortization expense (nine months ended September 30, 2018 – \$3,213) 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 15).

Trade Certifications

The Company incurred legal and other costs in obtaining certain international trade certifications and permits totalling \$3,936. This asset will be amortized over its 5-year estimated economic life.

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, 2017	393,860
Loan Advances	175,000
Accrued Interest	8,069
Balance, December 31, 2018	576,929
Loan Advances	-
Accrued Interest	8,630
Balance, September 30, 2019	585,559

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 \$8,630 was accrued on the loans for the nine months ended September 30, 2019 (nine months ended September 30, 2018 – \$2,946) 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. 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 (see Note 10) which is being depreciated over the 10-year term of the lease.

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	1,887,817
Interest expense	7,984
Payments	(19,766)
Balance, September 30, 2019	1,876,035
Current portion, September 30, 2019	142,945
Long-term portion, September 30, 2019	1,733,090

Not included in the lease liability, the Company incurred occupancy costs related to its office leases of \$29,802 and \$88,813, respectively, for the three and nine months ended September 30, 2019 which have been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income.

The Company's short-term lease expense and cash outflow for short-term leases, related to the Company's previous office lease which expired on August 31, 2019, was \$32,588 and \$130,045, respectively, for the three and nine months ended September 30, 2019 and has been included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

14. 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, 2017	14,509,095	\$ 7,518,403
Options exercised	21,588	193,524
Shares repurchased under NCIB and cancelled (d)	(72,100)	(46,283)
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)	(769,832)	(408,254)
Balance, Outstanding Shares, September 30, 2019	13,669,445	\$ 7,256,116
Shares repurchased under NCIB and held in Treasury at September 30, 2019 (d)	(20,900)	(11,117)
Balance, Excluding Treasury Shares, September 30, 2019	13,648,545	\$ 7,244,999

c. Options exercised

During the nine months ended September 30, 2019, 762 common shares (nine months ended September 30, 2018 – 10,508) were issued against options exercised for total proceeds of \$4,724 (nine months ended September 30, 2018 – \$51,618) and \$4,653 in fair value was transferred from contributed surplus to share capital (nine months ended September 30, 2018 – \$47,909).

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 would be 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. 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 period from the commencement of the NCIB on December 10, 2018 to December 31, 2018, the Company repurchased 92,168 common shares for an aggregate price of \$736,944 and incurred costs of \$8,937 related to the repurchase of these shares. 72,100 of these repurchased shares were cancelled as of December 31, 2018 with the remaining 20,068 shares cancelled subsequent to December 31, 2018. The Company's retained

earnings were reduced by \$688,947 upon the repurchase of these shares, representing the excess of the aggregate repurchase price and the reduction in share capital of \$56,934.

During the nine months ended September 30, 2019, the Company repurchased 790,732 common shares for an aggregate price of \$5,627,378 and incurred costs of \$7,907 related to the repurchase of these shares. 769,832 of these repurchased shares were cancelled as of September 30, 2019, with the remaining 20,900 shares held in Treasury pending cancellation. These 20,900 shares were cancelled subsequent to the reporting date. The Company's retained earnings were reduced by \$5,215,914 upon the repurchase of these shares, representing the excess of the aggregate repurchase price and the reduction in share capital of \$419,371.

Subsequent to the reporting date, the Company repurchased a further 67,100 common shares for cancellation pursuant to the NCIB, reaching the aggregate 12-month maximum of 950,000 common shares permitted by the TSX Venture Exchange.

e. There are nil preferred shares outstanding as of September 30, 2019 (December 31, 2018 – nil).

f. Share-Based Payments

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 and re-approved on May 28, 2019. 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 January 8, 2018, options totalling 35,567 were granted by the Company to senior management, officers, directors and an advisor to the Company under the SOP. Certain of these options shall vest in annual increments over four years to January 8, 2022 and certain of these options shall vest in semi-annual increments over 18 months to July 8, 2019. The fair value of these options granted with an exercise price of \$9.60 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$9.60
Risk-free interest rate	2.07%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	144.92%
Average expected option life (years)	8.02
Weighted-average grant date fair value of options granted	\$9.25
Forfeiture rate	2.13%

On May 29, 2018, options totalling 3,120 were granted by the Company to a Director of the Company under the SOP. These options shall vest in semi-annual increments over 18 months to November 29, 2019. The fair value of these options granted with an exercise price of \$9.94 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$9.94
Risk-free interest rate	2.40%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	139.34%
Average expected option life (years)	9.03
Weighted-average grant date fair value of options granted	\$9.62
Forfeiture rate	2.13%

On September 10, 2018, options totalling 11,313 were granted by the Company to certain employees of the Company under the SOP. One-fourth of these options shall vest at each anniversary date over four years to September 10, 2022. The fair value of these options granted with an exercise price of \$9.60 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$9.60
Risk-free interest rate	2.28%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	134.73%
Average expected option life (years)	8.71
Weighted-average grant date fair value of options granted	\$9.19
Forfeiture rate	2.00%

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.

During the nine months ended September 30, 2019, the Company recorded net share-based payment expense of \$200,609 (nine months ended September 30 - \$289,704) relating to 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 September 30, 2019, there were 177,512 options outstanding (December 31, 2018 – 144,624), as shown below:

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	144,624	\$8.30	128,411	\$7.20
Granted	34,211	\$8.22	50,000	\$9.62
Expired or forfeited	(561)	\$7.18	(12,199)	\$8.53
Exercised	(762)	\$6.20	(21,588)	\$4.68
Outstanding, end of period	177,512	\$8.30	144,624	\$8.30

Of the total number of options outstanding as of September 30, 2019, options totalling 102,990 have vested and are exercisable by the option holders (December 31, 2018 – 59,673). These exercisable options have a weighted average exercise price of \$8.11 (December 31, 2018 – \$8.55).

The weighted-average remaining contractual life of the 177,512 (December 31, 2018 – 144,624) options outstanding is 7.48 years (December 31, 2018 – 7.74 years) and the range of exercise prices for these options is \$6.20 – \$10.97 (December 31, 2018 – \$4.45 – \$10.97).

762 options were exercised during the nine months ended September 30, 2019 (nine months ended September 30, 2018 – 10,508). The weighted average share price on the date of exercise of the options exercised during the period was \$6.62 (nine months ended September 30, 2018 – \$9.69).

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 nine months ended September 30, 2019, the Company recorded share-based payment expense of \$58,816 (nine months ended September 30, 2018 – \$50,194) relating to the Company’s contributions to the ESPP for the purchase of common shares on behalf of participating employees. This expense is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

15. 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cost of goods sold	\$1,527,351	\$1,155,171	\$3,571,428	\$3,542,971
Selling and marketing	\$1,355,390	\$1,323,241	\$4,449,076	\$3,972,223
Advertising, Promotion and Selling Costs	637,649	623,497	2,197,596	1,920,852
Employee Costs	656,802	634,358	1,980,066	1,837,504
Logistics, Quality Control & Regulatory	48,922	52,528	242,156	185,833
Share-based Payments	12,017	12,858	29,258	28,034
General and administration	\$1,428,281	\$1,239,985	\$3,928,172	\$3,246,232
Employee Costs	786,179	779,126	2,042,333	2,045,059
Corporate Expenses	275,278	166,753	662,623	551,118
Impairment Losses: Intangible Assets (Note 11)	-	13,316	424,941	13,316
Share-based Payments	83,308	67,854	230,167	311,864
Depreciation and Amortization	91,926	45,075	184,650	134,294
Professional Fees	49,552	25,044	120,182	104,856
Information Technology	35,541	29,557	89,496	88,960
Net Foreign Exchange (Gains) Losses	64,848	88,839	83,868	(80,027)
Insurance	23,706	20,842	71,625	61,266
Medical Affairs	17,943	3,579	18,287	15,526
New business development costs	\$50,326	\$30,551	\$79,282	\$73,406
Finance costs	\$7,984	\$ -	\$7,984	\$ -
Interest expense - lease liability (Note 13)	7,984	-	7,984	-
Finance income	\$ (169,231)	\$ (255,851)	\$ (382,282)	\$ (597,404)
Interest Income	(134,095)	(81,886)	(347,146)	(216,939)
Foreign Exchange Gains - Investing	(35,136)	(173,965)	(35,136)	(380,465)

The major functions include cost of goods sold, selling and marketing, general and administration, new business development and finance income. The nature of expenses covered by each function is broadly outlined below with the caveat that the descriptions provided are indicative and should not be construed as being comprehensive:

- Cost of goods sold: Includes expenses related to purchase of products, change in inventory, variable freight and royalty cost on sales.
- Selling and marketing: Includes all expenses related to selling, marketing, sales and marketing personnel compensation and distribution expenses.
- General and administration: Includes expenses associated with running the day-to-day operations of the business.
- New business development: Includes expenses related but not limited to acquiring new drugs, scientific consulting and regulatory fees.
- Finance costs: includes interest expense on the lease liability. Finance income: includes interest income and foreign exchange gains from investing.

16. Earnings per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Numerator				
Net income attributable to common shareholders	\$1,532,426	\$1,270,613	\$3,201,450	\$4,033,976
Denominator				
Basic				
Weighted average number of shares outstanding	13,784,605	14,519,613	14,066,717	14,513,003
Effect of dilutive securities adjusted for exercised options	-	28,977	100	32,182
Diluted				
Weighted average number of shares outstanding	13,784,605	14,548,590	14,066,817	14,545,185
Basic earnings per share	\$0.11	\$0.09	\$0.23	\$0.28
Diluted earnings per share	\$0.11	\$0.09	\$0.23	\$0.28

17. Contingencies

Litigations

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at September 30, 2019 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 \$219,934 (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.

18. Commitments

Office Leases

During the period, the Company entered into a new office lease agreement which commenced on September 1, 2019 and extends to August 31, 2029 (see Note 13).

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
October – December 2019	\$ 99,829
2020	\$ 358,785
2021	\$ 358,785
2022	\$ 360,542
2023	\$ 364,056
Beyond Next 5 Fiscal Years	\$ 2,125,914

The Company's previous office lease extension agreement expired on August 31, 2019. Short-term lease expense and cash outflow for this short-term lease was \$32,588 and \$130,045, respectively, for the three and nine months ended September 30, 2019 and has been included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income. The Company has no further commitments related to this short-term lease.

The Company incurred occupancy costs related to its office leases of \$29,802 and \$88,813, respectively, for the three and nine months ended September 30, 2019 which have been included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

Purchase Commitments

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

19. 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 nine months ended September 30, 2019 and September 30, 2018:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2019	2018	2019	2018
Number of Key Management Personnel	6	7	6	7
Salary, Benefits, and Bonus	\$293,606	\$245,331	\$880,818	\$736,575
Share-Based Payments	\$64,002	\$38,673	\$174,014	\$155,600

During the nine months ended September 30, 2019, the Company recorded share-based payment expense of \$174,014 (nine months ended September 30, 2018 - \$155,600) related to the vesting of options granted to key management personnel under the SOP 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 nine months ended September 30, 2019, the Company paid total fees to its directors in the amount of \$114,378 (nine months ended September 30, 2018 - \$81,900) and share-based payments of \$15,175 (nine months ended September 30, 2018 - \$92,588).

20. 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 periods are as follows:

September 30, 2019	\$25,384,369
December 31, 2018	\$27,605,662

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 September 30, 2019. There were no changes in the Company's approach to capital management during the period.

21. 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 September 30, 2019, 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 September 30, 2019.

22. 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% (2018 – 26.5%) in the Canadian jurisdiction, 21.0% (2018 – 21.0%) in the U.S. jurisdiction, and 2.5% (2018 – 2.5%) in the Barbados jurisdiction.

23. 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Canada				
Pharmaceutical Business	\$4,789,629	\$4,709,409	\$13,903,859	\$13,506,185
Insecticide Business	339,412	268,283	860,472	650,967
Total Canada	\$5,129,041	\$4,977,692	\$14,764,331	\$14,157,152
International Jurisdictions				
Pharmaceutical Business - Middle East	\$1,013,071	\$281,801	\$1,013,071	\$1,359,125
Insecticide Business - United States	77,636	-	77,636	99,786
Total International Jurisdictions	\$1,090,707	\$281,801	\$1,090,707	\$1,458,911
Total Revenue	\$6,219,748	\$5,259,493	\$15,855,038	\$15,616,063

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.

Non-Current Assets	September 30, 2019	December 31, 2018
Canada	\$ 4,622,789	\$ 2,739,369
United States	\$ 34,383	\$ 45,144
Barbados	\$ 57,899	\$ 52,027

During the nine months ended September 30, 2019, impairment losses of \$424,941 (nine months ended September 30, 2018 – \$13,316) were recognized on intangible assets located in Canada and related to the Canadian pharmaceutical business (*see Note 11*).

Corporate Information

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Peter D. Lockhard (Lead Director)
Ontario, Canada

Stephen Wilton
Ontario, Canada

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Chief Executive Officer

Robert J. March
Vice-President and
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City National Bank
Los Angeles, California, USA

Stock Listing

TSX Venture Exchange
Trading symbol: RX