Annual Report 2020

Liminal BioSciences

Contents

Press Release

For immediate release

Liminal BioSciences Reports Fourth Quarter and Year End 2020 Financial Results

- **Initiated Phase 1 Multiple Ascending Dose Clinical Trial of Fezagepras**
- **OXER1 Antagonist Preclinical R&D Program Acquired**
- **Changes to Board of Directors & Executive Team**
- **US$30M in gross proceeds from a private placement closed in November**
- **C$29.1M in proceeds from long-term loan from SALP in September**
- **Updated Business Strategy Focused on Small Molecule Therapeutics**
- **PDUFA Target Action Date of June 5, 2021 for Ryplazim® (plasminogen) BLA Submission**

LAVAL, CANADA, and CAMBRIDGE, ENGLAND – March 24, 2021 – Liminal BioSciences Inc. (Nasdaq: LMNL) ("Liminal BioSciences" or the "Company"), a clinical-stage biopharmaceutical company, today reported its financial results for the fourth quarter and year ended December 31, 2020.

Liminal will host a conference call at 08:30am (ET) on Thursday March 25, 2021. The telephone numbers to access the conference call are 1-888-231-8191 and 647-427-7450. An audio replay of the call will be available as of Thursday March 25, 2021 at 11:30am (ET). The numbers to access the audio replay are 416-849-0833 and 1-855-

859-2056 using the following password (8637937). A live audio webcast of the conference call will be available by clicking here.

"2021 is positioned to be an important year for key clinical trials in our small molecule therapeutics' pipeline. We look forward to completing our phase 1 MAD study and are planning to advance our lead drug candidate, fezagepras, to enter later-stage clinical trials and believe our program prioritization positions us to capitalize on what we hope will be a pivotal year for the Company," stated Bruce Pritchard, Chief Executive Officer of Liminal BioSciences. "We will continue to work towards becoming a small molecule therapeutics business to efficiently utilize our financial, human and intellectual capital on programs we believe have the highest commercial and scientific merit with the potential to deliver new medicines for patients, if approved."

"2021 has the potential to be a transformative one for Liminal BioSciences as we progress our evaluation of strategic alternatives for our plasma-derived therapeutics business, while continuing to work towards the PDUFA target action date of June 5, 2021 for Ryplazim® (plasminogen)," stated Patrick Sartore, President of Liminal BioSciences.

Key Corporate and R&D Priorities

Liminal BioSciences continues to take precautionary measures in response to the COVID-19 global pandemic to protect the health of its employees, their families, patients, donors and local communities. The Company has had only limited disruptions to ongoing business operations related to the pandemic and provides the following updates on certain near-term objectives and timelines:

- Anticipated initiation of a global Phase 2 clinical trial of fezagepras in patients with idiopathic pulmonary fibrosis (IPF) in the first half of 2022;
- Preparatory work for an anticipated Phase 1b/2a clinical trial of fezagepras in the US for patients with high triglyceride levels (hypertriglyceridemia) in 2022;
- Pending the outcome of our preclinical research, and successful identification of a pre-clinical drug candidate, we plan to initiate a pre-clinical IND enabling program to support a First-in-Human Phase 1 single ascending dose clinical trial of our GPR84 antagonist drug candidate in healthy volunteers for safety and tolerability.

- Expected nomination of preclinical candidate for OXER1 antagonist research program in the second half of 2021;
- We anticipate implementing strategic alternative(s) for the plasma-derived therapeutics business in 2021, these alternatives may result in a divestment, in whole or in part, of the plasma-derived therapeutics business and/or other non-core assets, or in other courses of action including but not limited to other strategic transactions or the closure of the Ryplazim related operations, to focus use of cash on our small molecule therapeutics business;
- Current expected Prescription Drug User Fee Act (PDUFA) target action date for Ryplazim® (plasminogen) is June 5, 2021;
- We may be eligible to receive a Pediatric Rare Disease Priority Review Voucher (PRV) from the FDA if we receive regulatory approval on Ryplazim® (plasminogen), and if we receive a PRV for Ryplazim, we anticipate seeking to monetize any such PRV in 2021, subject to any strategic transactions or decisions relating to our plasma-derived therapeutics' business.

Select Fourth Quarter and full year 2020 Financial Results:

All amounts presented in this section are in Canadian $ unless otherwise specified.

- **Cash Position:** Cash and cash equivalents at December 31, 2020 were $45.1 million. The Company's working capital, i.e., the current assets net of current liabilities, at December 31, 2020 amounted to $49.2 million.
- **Revenues** were $3.3 million for the year ended December 31, 2020 compared to $4.9 million for the year ended December 31, 2019.
- **Research and development expenses** were $11.6 million for the fourth quarter of 2020 compared to $17.3. million for the fourth quarter of 2019, and $56.8 million for the year ended December 31, 2020 compared to $75.1 million for the year ended December 31, 2019. The 24% decrease for the year is mainly due to a reduction in manufacturing cost for Ryplazim® (plasminogen), a reduction in compensation expenses, and the recognition of grants under the Canadian Emergency Wage Subsidy program of the Canadian government.
- **Administration, selling and marketing expenses** were $9.0 million for the fourth quarter of 2020 compared to $10.3 million for the fourth quarter of 2019, and $38.6 million for the year ended December 31, 2020 compared to $45.3 million for the year ended December 31, 2019. The 12% decrease in the quarter

and 15% decrease for the year is mainly due to a reduction in compensation expenses partially offset by an increase in directors' and officers' insurance cost.

- **Finance costs** were $3.3 million for the fourth quarter of 2020 compared to $1.9 million for the fourth quarter of 2019, as a result of the long-term debt issuances in the third quarter of 2020.
- **Impairment losses** were $20.9 million for the year ended December 31, 2020 and came principally from the impairment of certain right-of-use assets in the plasma-derived therapeutics segment, as a result of the re-focus of resources on its small molecule therapeutics segment, and from patents for certain compounds in our small molecule therapeutics segment which are not within the area of fibrosis on which we intend to focus.
- **Net loss from continuing operations** was $43.4 million for the fourth quarter of 2020 compared to $39.6 million for the fourth quarter of 2019, and $122.1 million for the year ended December 31, 2020 compared to $234.2 million for the year ended December 31, 2019.

About Liminal BioSciences Inc.

Liminal BioSciences is a clinical-stage biopharmaceutical company focused on discovering, developing and commercializing novel treatments for patients suffering from diseases of high unmet medical need, primarily related to fibrosis, including respiratory, liver and kidney diseases. Liminal BioSciences' lead small molecule product candidate, fezagepras (PBI-4050), is being evaluated in a Phase 1 multi-ascending dosed clinical trial in in the UK to evaluate multiple ascending doses in normal healthy volunteers, at daily dose exposures higher than those evaluated in our previously completed Phase 2 clinical trials. A global Phase 2b clinical trial evaluating fezagepras for the treatment of patients with idiopathic pulmonary fibrosis (IPF) is anticipated to be initiated in the first half of-2022.

Fezagepras has previously been granted Orphan Drug Designation by the FDA and the European Medical Agency (EMA) for the treatment of IPF. Fezagepras has also received a Promising Innovative Medicines (PIM) designation by the Medicines and Healthcare products Regulatory Agency (MHRA) for IPF.

Liminal BioSciences' resubmitted a BLA in September 2020 with the FDA seeking approval to treat patients with clinical signs and symptoms associated with congenital plasminogen deficiency with its lead plasma-derived product candidate Ryplazim®(plasminogen) ("Ryplazim®"). The PDUFA target action date for Ryplazim® is June 5, 2021. Ryplazim® has previously been granted Orphan Drug and Rare Pediatric Disease Designations by the FDA for the treatment of congenital plasminogen deficiency.

Liminal BioSciences has active business operations in Canada, the United Kingdom and the United States.

Forward Looking Statement

This press release contains forward-looking statements about Liminal BioSciences' objectives, strategies and businesses that involve risks and uncertainties. Forward-looking information includes statements concerning, among other things, statements with respect to: the utilization of cash on the small molecule therapeutics business; the target PDUFA action date for Ryplazim®; the form, timing, ability to consummate or successful outcome of any strategic transactions pertaining to the Company's non-core assets, including a potential divestment of the Company's Ryplazim-related business or assets; the receipt of a PRV and ability to monetize such asset; the potential of our product candidates and development of R&D programs and the timing of initiation or nature of preclinical and clinical trials.

These statements are "forward-looking" because they are based on our current expectations about the markets we operate in and on various estimates and assumptions. Actual events or results may differ materially from those anticipated in these forward-looking statements if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. Among the factors that could cause actual results to differ materially from those described or projected herein include, but are not limited to, risks associated with FDA review, our ability to consummate any strategic transaction relating to our plasma-derived therapeutics business and/or non-core assets related thereto, Liminal BioSciences' ability to develop, manufacture, and successfully commercialize product candidates, if ever, the impact of the COVID-19 pandemic on its business operations, plasma collection, clinical development, regulatory activities and financial and other corporate impacts, the availability of funds and resources to pursue R&D projects, manufacturing operations or commercialization activities, the successful and timely completion of clinical trials, the ability

of Liminal BioSciences to take advantage of financing opportunities or business opportunities in the pharmaceutical industry, uncertainties associated generally with research and development, clinical trials and related regulatory reviews and approvals and general changes in economic conditions. You will find a more detailed assessment of these risks, uncertainties and other risks that could cause actual events or results to materially differ from our current expectations in the filings the Company makes with the U.S. Securities and Exchange Commission and Canadian Securities Commissions filings and reports filings and reports, including in the Annual Report on Form 20-F for the year ended December 31, 2020 and future filings and reports by the Company, from time to time. Such risks may be amplified by the COVID-19 pandemic and its potential impact on Liminal BioSciences' business and the global economy. As a result, we cannot guarantee that any forward-looking statement will materialize. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements and estimates, which speak only as of the date hereof. We assume no obligation to update any forward-looking statement contained in this Press Release even if new information becomes available, as a result of future events or for any other reason, unless required by applicable securities laws and regulations.

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Management discussion and analysis

For the quarter and the year ended December 31, 2020

This Management's Discussion and Analysis, or MD&A, is intended to help the reader to better understand Liminal BioSciences Inc.'s or Liminal or the Company operations, financial performance and results of operations, as well as the present and future business environment. This MD&A has been prepared as of March 23, 2021 and should be read in conjunction with Liminal's consolidated financial statements for the year ended December 31, 2020. Additional information related to the Company, including the Company's Annual report on Form 20-F, is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management's beliefs and assumptions and on information currently available to our management. These statements are "forward-looking" because they represent our expectations, intentions, plans and beliefs about our business and the markets we operate in and on various estimates and assumptions based on information available to our management at the time these statements are made. For example, forward-looking statements around financial performance and revenues are based on financial modelling undertaken by our management. This financial modelling takes into account revenues that are uncertain. It also includes forward-looking revenues from transactions based on probability. In assessing probability, management considers the status of negotiations for any revenue generating transactions, and the likelihood, based on the probability of income, that associated costs will be incurred. Management then ranks the probabilities in such a way that only those revenues deemed highly or reasonably likely to be secured are included in the projections.

All statements other than statements of historical facts may be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intend", "could", "might", "would", "should", "estimate", "continue", "plan" or "pursue", "seek", "project", "predict", "potential" or "targeting" or the negative of these terms, other variations thereof, comparable terminology or similar expressions, are intended to identify forward-looking statements although not all forward-looking statements contains these terms and phrases.

Forward-looking statements are provided for the purposes of assisting you in understanding us and our business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore you are cautioned that such information may not be appropriate for other purposes. Actual events or results may differ materially from those anticipated in these forward-looking statements if known or unknown risks affect our business, or if estimates or assumptions turn out to be inaccurate. In particular, forward-looking statements included in this MD&A include, without limitation, statements with respect to:

- our ability to develop, manufacture and successfully commercialize value-added pharmaceutical products;
- our ability to obtain required regulatory approvals;
- the availability of funds and resources to pursue research and development projects;
- the successful and timely completion of our clinical trials;
- our ability to take advantage of business opportunities in the pharmaceutical industry;
- a potential strategic transaction for our plasma-derived therapeutics business that we may pursue, in whole or in part, including a potential divestment or sale of non-core assets;
- our reliance on key personnel, collaborative partners and other third parties;
- the validity and enforceability of our patents and proprietary technology;

- expectations regarding our ability to raise capital;
- the use of certain hazardous materials;
- the availability and sources of raw materials;
- our manufacturing capabilities;
- currency fluctuations;
- the value of our intangible assets;
- negative operating cash flow;
- the outcome of any current or pending litigation against us;
- uncertainties related to the regulatory process and approvals;
- increasing data security costs;
- costs related to environmental safety regulations;
- competing drugs, as well as from current and future competitors;
- developing products for the indications we are targeting;
- market acceptance of our product candidates by patients and healthcare professionals;
- availability of third-party coverage and adequate reimbursement;
- general changes in economic or market conditions;
- volatility of our share price; and
- other risks and uncertainties, including those listed in the AIF titled "Item 3.D—Risk Factors."

You should refer to the section of the AIF titled "Item 3.D—Risk Factors" for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this MD&A will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this MD&A and the documents that we reference in this MD&A completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This MD&A contains market data and industry forecasts that were obtained from industry publications. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information. While we believe the market position, market opportunity and market size information included in this MD&A is generally reliable, such information is inherently imprecise.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this MD&A, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Business overview

We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel small molecule drug candidates for the treatment of patients suffering from respiratory fibrotic diseases and other fibrotic or inflammatory diseases that have high unmet medical need. We have a deep understanding of certain biological targets and pathways that have been implicated in the fibrotic process, including fatty acid receptors such as free fatty acid receptor 1, FFAR1 (also known as G-protein-coupled receptor 40, or GPR40), a related receptor (G-protein-coupled receptor 84, or GPR84), and peroxisome proliferator-activated receptors, or PPARs.

Our lead small molecule product candidate, fezagepras (also known as PBI-4050), is being developed for the treatment of idiopathic pulmonary fibrosis, or IPF. Fezagepras is an anti-inflammatory and anti-fibrotic small molecule designed to modulate the activity of multiple receptors, including GPR40 and PPAR alpha. Fezagepras has been observed to regulate several cell types involved in the fibrotic pathway: macrophages, fibroblasts/myofibroblasts and epithelial cells. We have observed that fezagepras regulated fibrotic and inflammatory markers in rodent and normal human fibroblasts, idiopathic pulmonary fibrosis patient fibroblasts, human epithelial cells and in rodent macrophages.

We have developed our plasma-derived drug Ryplazim® (plasminogen), or Ryplazim®, a highly purified glu-plasminogen derived from human plasma that acts as a plasminogen replacement therapy for patients deficient in plasminogen protein. We developed Ryplazim® for the treatment of signs and symptoms associated with congenital plasminogen deficiency, or C-PLGD, a rare disorder associated with abnormal accumulation or growth of fibrin-rich pseudomembranous lesions on mucous membranes. Left untreated, these lesions may impair organ function and impact quality of life. Congenital plasminogen deficiency is caused by mutations in plasminogen, the gene coding for production of the zymogen plasminogen. We resubmitted a BLA to the FDA, in the third quarter of 2020, based on the results from our open-label Phase 2/3 clinical trial of Ryplazim® for the treatment of congenital plasminogen deficiency completed in October 2018. The Prescription Drug User Fee Act, as amended, or PDUFA, target action date is June 5, 2021.

Financial Performance

Amounts in $ are expressed in thousands of Canadian dollars except per share amounts which are in Canadian dollars.

On July 5, 2019, we performed a 1000 to 1 share consolidation of our issued equity instruments including common shares, warrants, options and restricted stock units, or RSU. The quantities and per unit prices presented in the 20-F have been retroactively adjusted to give effect to the share consolidation.

On November 25, 2019, we completed a disposition of all our shares in Prometic Bioseparations Ltd. or PBL to Gamma Biosciences GP LLC, a subsidiary of KKR & Co. As a result of this transaction, we no longer retain any interest in PBL and its subsidiary Prometic Manufacturing Inc. or PMI and have ceased to consolidate these entities in our consolidated financial statements as of the date of the disposal. Our interest in PBL and PMI has been presented separately as "Discontinued Operations" in the current and comparative results, in accordance with the guidance under IFRS 5, *Non-Current Asset Held for Sale and Discontinued Operations*. Unless otherwise indicated, all financial information represents results from continuing and discontinuing operations.

Financial operations overview

Revenue

Revenues include revenues from plasma sales, royalty revenues, revenues from the rendering of research and development services and rental revenues.

Cost of sales and other production expenses

Cost of sales and other production expenses includes the cost of the inventory sold, as well as non-capitalizable overhead related to commercial inventory and inventory write-downs. Government grants credits for eligible salaries and rent at our Winnipeg plasma collection center reduce the cost of production.

Research and development expenses

Research and development or R&D expenses comprise the costs to manufacture the plasma-derived product candidates (only Ryplazim® since 2019) used in pre-clinical studies, clinical trials, and supplied to clinical trial patients and certain other patients in connection with expanded access programs, including on a named patient basis and via a compassionate use programs until Ryplazim® is commercially approved and available, if ever. It also comprises the costs for the development of our production processes for Ryplazim® in preparation of the resubmission of the BLA, which was resubmitted in September 2020, and in preparation for commercial readiness of our manufacturing site. It also includes the cost of product candidates used in our small molecule clinical trials such as fezagepras, the cost of external consultants supporting the clinical trials and pre-clinical studies, employee compensation and other operating expenses involved in research and development activities. Government grants credits for eligible R&D salaries and rent in Canada reduce the R&D expenses.

Administration, selling and marketing expenses

Administration, selling and marketing expenses mainly consist of salaries and benefits related to our executive, finance, human resources, business development, legal, intellectual property, and information technology support functions. Professional fees reported under administrative expenses mainly include legal fees, accounting fees, audit fees and fees for taxation advisory. It also includes operating expenses such as insurance costs, office expenses, and travel costs pertaining to administration, selling and marketing activities. Government grants credits for eligible administrative salaries and rent in Canada are also included in administration, selling and marketing expenses.

Selling and marketing expenses include costs associated with managing our commercial activities as we prepare for our first commercial launch.

Loss (gain) on foreign exchange

Gain or loss on foreign exchange includes the effects of foreign exchange variations on monetary assets and liabilities denominated in foreign currencies between the rates at which they were initially recorded at in the functional currency at the date of the transaction and when they are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are included in the consolidated statement of operations.

Finance costs

Finance costs mainly includes interest expense from the long-term debt and from the lease liabilities following the adoption of IFRS 16, *Leases* or IFRS 16 and banking charges. Finance costs also includes financing transaction cost associated with financial instruments carried at fair value through profit or loss. Finance costs are presented net of interest income which primarily results from the interest earned on the cash and cash equivalents we hold.

Loss (gain) on extinguishments of liabilities

When the terms of our long-term debt are modified significantly, the then existing debt is considered extinguished and the carrying amount of the debt before modification is derecognized, and the fair value of the modified debt is recognized. The difference is recorded as a loss (gain) on extinguishment of liabilities. Deferred financing fees, if any, carried on the statement of financial position that pertain to the pre-modified debt are expensed immediately and are also included in the loss or gain.

Change in fair value of financial instruments measured at fair value through profit or loss

Fair value increases and decreases on financial instruments measured at fair value through profit or loss are presented here. Over the past three years, this caption includes the changes in fair values of an investment inconvertible debt and the warrant liability.

Impairment losses

Impairment losses includes impairments recorded on long-lived assets, including but not limited to capital assets, right-of-use assets and intangible assets.

Share of losses of an associate

Our pro rata share of the losses incurred by an associate are recognized in the profit and loss. An associate is an entity over which we exercise significant influence.

Income tax expense

Income tax expense includes the current tax expense that will be payable to or collectable from the taxation authorities in the various jurisdiction in which we operate. This includes the U.K. small and medium enterprise R&D tax credits we were eligible for until 2018 inclusively. Income tax expense also includes deferred income tax expense and recoveries. Deferred income tax assets are recognized to the extent that it is probable that future tax profits will allow the deferred tax assets to be recovered.

Discontinued operations

Following the sale of two of our subsidiaries previously included in our bioseparations segment on November 25, 2019, we have restated the prior periods to remove the impact of those operations from all lines in the financial statements (revenues, cost of sales and production cost, R&D and administration, selling and marketing being the lines most impacted) and have reclassified those results to the net income from discontinued operations line in the financial statement. The amounts showing as net income from discontinued operations do not equal the results reported in prior periods for the bioseparation segment since the ownership of one subsidiary that was part of this segment was not sold and since certain of the corporate expenses that were previously allocated to the segment were not reclassified in the results of discontinued operations if those cost remained going forward. The gain on the sale of the subsidiaries is presented distinctly.

In the operating results and the liquidity and capital resources sections of this MD&A we have omitted the discussion regarding our financial condition and results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018. For the discussions of the comparisons between the 2019 and 2018 periods, readers may refer to our 20-F filed with the SEC on March 20, 2020 or our 2019 MD&A filed on SEDAR.

Operating Results

Comparison of years ended December 31, 2020, 2019 and 2018

The consolidated statements of operations for the year ended December 31, 2020 compared to the corresponding periods in 2019 and 2018 are presented in the following tables:

	Year ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Revenues	$ 3,317	$ 4,904	$ 24,633	$ (1,587)	$ (19,729)
Expenses					
Cost of sales and other production expenses	2,033	2,763	25,707	(730)	(22,944)
Research and development expenses	56,826	75,114	84,858	(18,288)	(9,744)
Administration, selling and marketing expenses	38,552	45,283	29,448	(6,731)	15,835
Loss (gain) on foreign exchange	(668)	(1,451)	4,696	783	(6,147)
Finance costs	8,982	14,056	22,041	(5,074)	(7,985)
Loss (gain) on extinguishments of liabilities	(79)	92,374	(33,626)	(92,453)	126,000
Change in fair value of financial instruments measured at fair value through profit or loss	(850)	(1,140)	1,000	290	(2,140)
Impairment losses	20,859	12,366	149,952	8,493	(137,586)
Share of losses of an associate	—	—	22	—	(22)
Net loss from continuing operations before taxes	$ (122,338)	$ (234,461)	$ (259,465)	$ 112,123	$ 25,004
Income tax expense (recovery) from continuing operations:					
Current	(136)	(348)	(5,822)	212	5,474
Deferred	(65)	111	(13,815)	(176)	13,926
	(201)	(237)	(19,637)	36	19,400
Net loss from continuing operations	$ (122,137)	$ (234,224)	$ (239,828)	$ 112,087	$ 5,604
Discontinued operations, net of taxes					
Gain on sale of subsidiaries	3,380	26,346	—	(22,966)	26,346
Net income from discontinued operations	—	1,125	1,932	(1,125)	(807)
Net loss	$ (118,757)	$ (206,753)	$ (237,896)	$ 87,996	$ 31,143
Net income (loss) attributable to:					
Non-controlling interests - continuing operations	(832)	(1,044)	(42,530)	212	41,486
Owners of the parent					
- Continuing operations	(121,305)	(233,180)	(197,298)	111,875	(35,882)
- Discontinued operations	3,380	27,471	1,932	(24,091)	25,539
	(117,925)	(205,709)	(195,366)	87,784	(10,343)
Net loss	$ (118,757)	$ (206,753)	$ (237,896)	$ 87,996	$ 31,143
Income (loss) per share					
Attributable to the owners of the parent basic and diluted:					
From continuing operations	$ (4.96)	$ (14.52)	$ (238.28)	$ 9.55	$ 223.76
From discontinued operations	0.14	1.71	2.33	(1.57)	(0.62)
Total loss per share	$ (4.83)	$ (12.81)	$ (235.95)	$ 7.98	$ 223.14
Weighted average number of outstanding shares (in thousands)	24,438	16,062	828	8,376	15,234

Revenues

The following tables provides the breakdown of total revenues from continuing operations by source of revenue for the year ended December 31, 2020 compared to the corresponding periods in 2019 and 2018:

	Year ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Revenues from the sale of goods	$ 2,593	$ 4,734	$ 23,874	$ (2,141)	$ (19,140)
Other revenues	724	170	759	554	(589)
	$ 3,317	$ 4,904	$ 24,633	$ (1,587)	$ (19,729)

Revenues in 2020, 2019 and 2018 were mainly driven by sales of plasma.

The decrease of $2.1 million in revenues from the sale of goods during the year ended December 31, 2020 compared to the corresponding period in 2019 is mainly due to a $2.0 million reduction in sales of specialty plasma and of $0.4 million of normal source plasma in 2020 as a result of a reduction in the collection of plasma partially caused by the COVID measures implemented at our collection centers and by the timing of these sales which can vary from period to period. These reductions were offset by the sales of $0.2 million of COVID plasma in the year ended December 31, 2020. Other revenues, which are mainly comprised of royalty and rental revenues, increased by $0.6 million for year ended December 31, 2020 compared to the corresponding period in 2019 mainly due to the royalty revenues earned on third party product sales, products that were previously sold by our former bioseparations segment.

Cost of sales and other production expenses

Cost of sales and other production expenses during the year ended December 31, 2020 decreased by $0.7 million compared to the corresponding period in 2019 mainly due to the decrease in sales of specialty and normal source plasma. This was partially offset by an increase in operating costs from our plasma collection center in Winnipeg that are allocated to other production expenses instead of R&D costs in 2019 as we were doing more development work in the plasma-derived therapeutic segment in prior years.

Research and development expenses

The R&D expenses for the year ended December 31, 2020 compared to the same periods in 2019 and 2018, broken down into its two main components, are presented in the following tables:

	Year ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Manufacturing and purchase cost of product candidates used for R&D activities	$ 27,533	$ 37,044	$ 38,667	$ (9,511)	$ (1,623)
Other research and development expenses	29,293	38,070	46,191	(8,777)	(8,121)
Total research and development expenses	$ 56,826	$ 75,114	$ 84,858	$ (18,288)	$ (9,744)

Since we have not entered the commercial production stage for Ryplazim® or for our small molecules, the cost of manufacturing or purchasing these product candidates was classified as R&D expenses.

Our R&D manufacturing costs for the plasma-derived therapeutics segment comprises those of our Laval plant where Ryplazim® is produced and the costs of the contract development and manufacturing organization, or CDMO, we have an agreement with to increase our production capacity for Ryplazim®, while the small molecule product candidates are manufactured by third parties.

The manufacturing and purchase cost of these product candidates for the year ended December 31, 2020 decreased by $9.5 million compared to the corresponding period in 2019. This change was mainly driven by a reduction of materials expensed for R&D purposes of $4.4 million as a result of managements' outlook of the usage of the inventory to supply clinical trial patients as the expected timeline for the BLA resubmission was further out in 2019. This included a particularly high expensing of inventory on hand during 2019 as clinical batch runs were produced.

The expensing of materials in 2020 is lower due to a combination of a reduction of clinical trial patients in our clinical trial programs and the reduction in the time period we expect to supply those patients.

Additionally, during the year ended December 31, 2020 we recognized credits, which further reduced our production costs, of $4.1 million and $0.4 million representing the amount we are eligible to under the Canada Emergency Wage Subsidy, or CEWS government grant, and the Canada Emergency Rent Subsidy program, or CERS government grant, respectively, two grant programs created in 2020 by the Canadian government in response to the COVID-19 pandemic. We also recognized $1.3 million in R&D tax credit in the year ended December 31, 2020 compared to a reversal of R&D tax credit of $1.0 million in the comparative period following the resolution of R&D tax credit uncertainties regarding the eligibility of certain expenses from 2014 to 2019, upon conclusion of an audit by the taxation authorities in 2020. These decreases were partially offset by an increase of $0.5 million related to consulting fees incurred in order to prepare for the resubmission of the BLA and the FDA audit of this resubmission.

A key criterion for being eligible for the CEWS is to have experienced a reduction in revenues in accordance with specific benchmarks and options as defined under the program. The variation in revenue is generally one that is determined each month by comparing the current year with the equivalent month in 2019. As such, we may be eligible only for certain periods depending on the variation of revenue for each month. Under this program, the subsidy generally represented up to 75% of eligible employees' insurable renumeration, subject to certain criteria and limitations. Since its creation, the program has been subject to multiple modifications and extensions, under which the program is now announced to be in existence until June 2021. Recent modifications provide for a clarification of the rules of application for the first quarter of 2021 with more updates to come for later periods. The CERS government grant also sets out eligibility conditions and subsidy rates which are generally similar to those adopted for the CEWS program, and as such our eligibility can also vary from month to month.

Other R&D expenses decreased by $8.8 million during the year ended December 31, 2020 compared to the corresponding period in 2019. This decrease was driven by a reduction of $3.8 million in share-based payments compensation expense recognized during the year ended December 31, 2020 compared to the corresponding period in 2019, due to the changes made to our long-term equity incentive plan explained further below under "share-based payments expense". This decrease is also explained by the decrease in payroll and related expenses of $3.3 million due to a reduction in our workforce and to variations in the expense related to our short-term incentive plan or STIP, in this case a decline compared to the comparative period, and the recognition of $1.0 million for the CEWS government grant credit. The decrease was also due to a reduction of $1.2 million in operating expense as traveling and related expenses were significantly reduced due to the COVID-19 Pandemic and a decrease in depreciation and amortization expense of $1.2 million mainly caused by the lower carrying amount of our capital and intangible assets following impairments recorded during the year ended December 31, 2019 These decreases were offset by reductions in Québec R&D tax credits during the year ended December 31, 2020, which resulted in an increased R&D expense of $1.2 million, and by the increase of $1.5 million in fees for consultant services related to our small molecules therapeutics operations, as we relied more on consultants to perform some of the tasks previously performed by employees.

Administration, selling and marketing expenses

The decrease of $6.7 million in administration, selling and marketing expenses during the year ended December 31, 2020 compared to the corresponding period in 2019 was mainly attributable to a reduction of $11.4 million in share-based payments compensation expense, a decrease of $4.3 million in payroll and related expenses mainly cause by the reduction in the workforce, to a decline in the expense related to the STIP, and the recognition of $1.5 in credits pertaining to the CEWS government grant. This decrease was partially offset by an increase of $11.0 million in directors' and officers' insurance cost resulting from our listing on the Nasdaq Stock Market LLC, or the Nasdaq, and the recognition of a $2.2 million expense pertaining to the additional warrants issued following an amendment to the private placement agreement completed in November 2020.

Share-based payments expense

Share-based payments compensation expense represents the expense recorded as a result of share options and RSU issued to employees and board members. The table below, shows the share-based payments compensation expense recorded in continuing and discontinuing operations. This expense has been recorded as follows in the consolidated statements of operations:

	Year ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Cost of sales and other production expenses	$ 40	$ 107	$ 299	$ (67)	$ (192)
Research and development expenses	2,946	7,137	2,295	(4,191)	4,842
Administration, selling and marketing expenses	3,248	14,786	4,128	(11,538)	10,658
	$ 6,234	$ 22,030	$ 6,722	$ (15,796)	$ 15,308

The above table includes the share-based payment expense included in both continuing and discontinued operations. The share-based payment expense from discontinued operations was $489 and $322 for the years ended December 31, 2019 and 2018 respectively.

During 2019, we made significant changes to our long-term equity incentive plan to ensure alignment with performance and building shareholder value, and attraction and retention of key employees to drive our future growth. The following important changes were made:

- the cancellation in June 2019 and August 2019 of the outstanding share options for active employees in return for the issuance of new vested options having an exercise price reflecting the share price at the time of the grant subject to stockholder approval;
- the modification of the outstanding performance-based RSU into time-vesting RSU; and
- the issuance of the 2019 annual stock option grant to employees and executives. The vesting terms have been changed from those set in the recent years, especially at the executive level; a portion of the executive grants vested immediately while the overall vesting period was extended up to a period of 6 years.

Some of these changes triggered an immediate or accelerated recognition of share-based compensation expense resulting in an impact of approximately $ 14.9 million on the results during the quarter ended June 30, 2019. Further details of these changes and their accounting impact are provided in Note 18b to our consolidated financial statements for the year ended December 31, 2020.

Finance costs

The finance costs decreased by $5.1 million during the year ended December 31, 2020 compared to the corresponding period in 2019 reflecting principally the reduction in interest expense on the long-term debt mainly to a lower average debt level than the previous year despite the long-term debt balance at December 31, 2020 of $40.5 million being higher by $31.7 million from the prior year-end. The average debt balance was higher in 2019 reflecting the important debt level we had up until the debt restructuring that took place on April 23, 2019.

The adoption of the new lease standard IFRS 16 at the beginning of 2019, under which lease liabilities are recognized in the consolidated statement of financial position for the discounted value of the future lease payments at initial adoption and with interest expense recognized over the term of each lease, contributes to the increase of finance costs from 2019 and onwards compared to previous years. The new standard was adopted using the modified retrospective approach and as such, the 2018 figures are not restated. Previously, the embedded interest component in each lease payment was recognized as part of the lease expense included in the various functions presented in the statement of operations such as cost of sales and other production expenses, R&D, and administration, selling and marketing. The interest expense on the lease liabilities from continuing operations for the years ended December 31, 2019 was $6.4 million and partially offset by the decline in interest expense from long-term debt and the amortization of the credit facility fees. During the year ended December 31, 2020, the interest expense on the lease liabilities from continuing operations was $6.0 million.

Loss (gain) on extinguishments of liabilities

The gain on extinguishment of liabilities was $0.1 million for the year ended December 31, 2020 compared to a loss on extinguishment of liabilities of $92.4 million in 2019. The loss on extinguishment of liabilities in the year ended December 31, 2019 is principally due to us concluding a debt restructuring agreement on April 23, 2019

with our major creditor, SALP where the debt, subsequently referred to as the first term loan was reduced to $10.0 million plus interest due, in exchange for the issuance by us of 15,050,312 of common share to SALP. The details of the computation of the gain and loss on extinguishments of liabilities are presented in note 16 of our consolidated financial statements for the year ended December 31, 2020.

Change in fair value of financial instruments measured at fair value through profit or loss

On November 3, 2020, as part of the consideration for the private placement, we issued 6,315,788 warrants that expire on November 3, 2025 with an exercise price initially set at US$5.50. On November 25, 2020, we issued an additional 1,578,946 warrants with the same terms and conditions. These warrants do not meet the definition of an equity instrument and are treated as a warrant liability which is measured at fair value through profit and loss on a recurring basis. The change in fair value of the warrant liability from the various issuance dates to December 31, 2020 recognized in the consolidated statement of operations during the year ended December 31, 2020 was a gain of $0.9 million.

In November 2018, as part of the modification of the terms of our four loan agreements discussed above, we issued Warrant #9 to SALP. These warrants did not meet the definition of an equity instrument and were treated as a warrants liability which was measured at fair value through profit and loss on a recurring basis. The change in fair value of this different warrant liability, recognized in the consolidated statements of operations during the year ended December 31, 2019 was a gain of $1.1 million.

Impairment losses

2020

During the year ended December 31, 2020, we recorded impairments on our assets totalling $20.9 million mainly due to the impairments explained below.

At the end of 2020, in reviewing our portfolio of compounds in the small molecule therapeutics segment, we identified impairment indicators for certain patents. One of the patent families concerned a molecule that had entered a phase 1 clinical trial in 2019 that was subsequently discontinued after the review of the pharmacokinetic data for the first three cohorts obtained. Additional pre-clinical studies conducted in 2020 to further our understanding of the mechanism of action, or MOA, led to findings that the MOA included engaging a receptor which has been known in other products which engage the same receptor to occasionally cause undesirable side effects. Subsequently, we decided that the preclinical and clinical development activities associated with demonstrating that such molecule did not induce such side effects would be both time-consuming and costly and therefore the future development has been suspended. Another patent family impaired concerned another molecule that is licensed for development with a third party, whose research and development work we believe to be delayed from the agreed upon timelines and is unlikely to perform significant development in the near future. Further, the development of another compound was deprioritized as we wish to prioritize development of our lead compound fezagepras, as well as GPR84 and OXER1 drug candidates, which led to the impairment of the related patents. These small molecules patents were written down to their net recoverable amount of $nil, as both the fair value less costs of disposal, or FVLCD and the value in use were determined to be insignificant, resulting in an impairment of $1.2 million for the year ended December 31, 2020.

Subsequent to December 31, 2020, we announced that we have undertaken an evaluation of potential alternatives aimed at minimizing the plasma-derived therapeutics segment cash burn which may result in divestment in whole or part of this business, or other courses of action including but not limited to the closure of the Ryplazim® related operations, in order to focus our resources on the small molecules segment.

As the capital, intangible and ROU assets in the Ryplazim® CGU were no longer to be used as originally planned, we proceeded to review them for impairment and writing them down to their net recoverable value determined using the FVLCD based on a market approach. The Ryplazim® CGU includes the assets involved in production, R&D and commercialization activities relating to the Ryplazim® product candidate that has yet to receive regulatory approval for commercialization. The Ryplazim® CGU evaluation excluded the assets pertaining to the plasma collection activities since these can generate distinct cash inflows and could potentially be divested separately from the Ryplazim® assets. The plasma collection assets were not considered impaired.

The FVLCD was calculated using a discounted cash flow model for one year and a terminal value of $58.1 million using a post-tax discount rate of 7.75% and is considered a level 3 computation in the fair value hierarchy under *IFRS 13, Fair value measurement*. As part of this valuation exercise, we needed to make several key assumptions which affected the cash inflows and outflows considered in the model. The significant estimates used in determining the FVLCD are disclosed further under "Critical Accounting Policies and Estimates".

As a result of this exercise, the Company recorded an impairment of $666 on capital assets, $18,553 on ROU assets and $480 on intangible assets, representing an aggregate impairment of $19,698 on the plasma-derived therapeutic assets for the year ended December 31, 2020.

2019

During the year 2019, we evaluated our intellectual property and the related market opportunities in the context of our financial situation and made further decisions about the areas we would or would not pursue.

One of these decisions affecting our plasma-derived therapeutics segment was to no longer pursue other indications relating to the human-plasma protein plasminogen. We ceased all R&D activities in the plasma-derived therapeutics segment not relating to Ryplazim®. As a result, our long-term production forecasts for plasminogen were reduced and one of our planned manufacturing facilities and a technical transfer facility were determined to be no longer required. We also decided to close our R&D facility in Rockville, MD by the end of 2020. Consequently, the capital and intangible assets in the plasma-derived therapeutics segment that were no longer to be used as originally planned were reviewed for impairment and written-down to their net recoverable value determined as the FVLCD using a market approach. We assessed the resale value of the property, plant and equipment, the licenses and patents in their present condition, less cost of disposal and consequently, recorded an impairment of $7.1 million and $4.5 million on capital assets and intangible assets, respectively, for the year ended December 31, 2019.

In reviewing our portfolio of compounds in the small molecule therapeutics segment, we identified compounds that where not within the areas of fibrosis in which we intend to focus and evaluated the net recoverable value of those related patents as nil, determined as the FVLCD using a market approach. An impairment on intangible assets of $0.6 million was recognized for the year ended December 31, 2019.

As a result of the sale of two of our subsidiaries previously included in our bioseparations segment, some intellectual property including patents that we retained are no longer expected to be developed. We evaluated the net recoverable value of those patents as nil, using a fair value less cost of disposal using a market approach. An impairment on intangible assets of $0.1 million was recognized for the year ended December 31, 2019.

Net loss from continuing operations

The net loss from continuing operations decreased by $112.1 million during the year ended December 31, 2020 compared to the corresponding period in 2019. This decrease is mainly explained by the following:

- the decrease in the loss on extinguishment of liabilities of $92.5 million, related to the debt restructuring that occurred during the second quarter of 2019,
- the decrease in the share-based payments expense of $15.8 million related to the significant changes made to the Company's long-term equity incentive plan in June 2019,
- a decrease in R&D expenditures excluding share-based payment expenses of approximately $14.1million,
- the decrease in finance cost of $5.1 million for the year ended December 31, 2020 reflecting the lower average levels of debt since the April 23, 2019 debt restructuring; and
- the increase in impairment losses of $8.5 million due to the 2020 impairment on plasma-derived assets discussed above.

Net income from discontinued operations

Following the sale of our interests in PBL and PMI in November 2019, the results of the two subsidiaries are presented separately as discontinued operations in our 2019 and 2018 results. The net income from discontinued operations for the year ended December 31, 2019 and 2018 represented a net income of $1.1 million and

$1.9 million, respectively. The sale of the subsidiaries generated a gain of $26.3 million in the year ended December 31, 2019, the year of the sale, and a gain of $3.4 million in the year ended December 31, 2020 as an additional amount of proceeds was received upon resolution of a taxation matter. Details on the gains recorded are broken down into the main components in the following table.

Year ended December 31		2020		2019
Fair value of the consideration received and receivable:	$	3,380	$	51,927
Less:				
Carrying amount of net assets sold		—		(22,015)
Transaction costs		—		(5,015)
Add: Reclassification of foreign currency translation reserve from other comprehensive income into the statement of operations		—		1,449
Gain on sale of subsidiaries (income tax $nil)	$	3,380	$	26,346

Comparison of quarters ended December 31, 2020, 2019 and 2018

The consolidated statements of operations for the quarter ended December 31, 2020 compared to the same periods in 2019 and 2018 are presented in the following tables.

	Quarter ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Revenues	$ 1,035	$ 1,050	$ 3,379	$ (15)	$ (2,329)
Expenses					
Cost of sales and other production expenses	445	528	3,359	(83)	(2,831)
Research and development expenses	11,636	17,253	19,191	(5,617)	(1,938)
Administration, selling and marketing expenses	9,070	10,278	10,165	(1,208)	113
Bad debt expense	—	—	—	—	—
Loss (gain) on foreign exchange	42	(205)	3,819	247	(4,024)
Finance costs	3,264	1,858	6,554	1,406	(4,696)
Gain on extinguishments of liabilities	—	—	(34,904)	—	34,904
Change in fair value of financial instruments measured at fair value through profit or loss	(850)	—	1,000	(850)	(1,000)
Impairment losses	20,859	12,366	149,952	8,493	(137,586)
Net loss from continuing operations before taxes	$ (43,431)	$ (41,028)	$ (155,757)	$ (2,403)	$ 114,729
Income tax expense (recovery) from continuing operations:					
Current	5	(1,587)	(1,887)	1,592	300
Deferred	(65)	111	(11,725)	(176)	11,836
	(60)	(1,476)	(13,612)	1,416	12,136
Net loss from continuing operations	$ (43,371)	$ (39,552)	$ (142,145)	$ (3,819)	$ 102,593
Discontinued operations, net of taxes					
Gain on sale of subsidiaries	3,380	26,346	—	(22,966)	26,346
Net income(loss) from discontinued operations	—	(1,303)	831	1,303	(2,134)
Net loss	$ (39,991)	$ (14,509)	$ (141,314)	$ (25,482)	$ 126,805
Net income (loss) attributable to:					
Non-controlling interests - continuing operations	(268)	(155)	(38,361)	(113)	38,206
Owners of the parent					
- Continuing operations	(43,103)	(39,397)	(103,784)	(3,706)	64,387
- Discontinued operations	3,380	25,043	831	(21,663)	24,212
	(39,723)	(14,354)	(102,953)	(25,369)	88,599
Net loss	$ (39,991)	$ (14,509)	$ (141,314)	$ (25,482)	$ 126,805
Income (loss) per share					
Attributable to the owners of the parent basic and diluted:					
From continuing operations	$ (1.58)	$ (1.69)	$ (125.04)	$ 0.11	$ 123.35
From discontinued operations	0.12	1.07	1.00	(0.95)	0.07
Total loss per share	$ (1.45)	$ (0.62)	$ (124.04)	$ (0.84)	$ 123.42
Weighted average number of outstanding shares (in thousands)	27,333	23,313	830	4,020	22,483

Revenues from continuing operations, cost of sales and other production expenses

The following tables provides the breakdown of total revenues from continuing operations by source for the quarter ended December 31, 2020 compared to the corresponding periods in 2019 and 2018:

	Quarter ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Revenues from the sale of goods	$ 751	$ 1,016	$ 3,332	$ (265)	$ (2,316)
Other revenues	284	34	47	250	(13)
	$ 1,035	$ 1,050	$ 3,379	$ (15)	$ (2,329)

The decrease of $0.3 million in the revenues from the sale of goods during the quarter ended December 31, 2020 compared to the corresponding period in 2019 is mainly due to the reduction in sales of specialty plasma.

Cost of sales and other production expenses during the quarter ended December 31, 2020 decreased by $0.1 million mainly due to the reduction in the revenues from the sale of goods.

Research and development expenses

The R&D expenses for the quarter ended December 31, 2020 compared to the same periods in 2019 and 2018, broken down into its two main components, are presented in the following table:

	Quarter ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Manufacturing and purchase cost of product candidates used for R&D activities	$ 5,867	$ 6,592	$ 10,463	$ (725)	$ (3,871)
Other research and development expenses	5,769	10,661	8,728	(4,892)	1,933
Total research and development expenses	$ 11,636	$ 17,253	$ 19,191	$ (5,617)	$ (1,938)

The manufacturing and purchase cost of product candidates for the quarter ended December 31, 2020 decreased by $0.7 million compared to the corresponding period in 2019, mainly due to a decrease in payroll and related expenses of $1.0 million due to a reduction in our workforce and a decrease in our short-term incentive plan or STIP expense, the recognition of a credit of $1.3 million related to the CEWS government grant as explained above and the recognition of $1.3 million in R&D tax credit in the quarter ended December 31, 2020 compared to a reversal of R&D tax credit of $1.2 million in the comparative period, following the resolution of R&D tax credit uncertainties regarding the eligibility of certain expenses from 2014 to 2019 upon conclusion of an audit by the taxation authorities in 2020. These decreases were offset by an increase of $4.5 million in materials expensed.

Other R&D expenses during the quarter ended December 31, 2020 decreased by $4.9 million compared to the corresponding period in 2019 mainly due to a decrease in payroll and related expenses of $2.8 million due to a reduction in our workforce and in our short-term incentive plan or STIP expense and to a reduction of $1.0 million in share-based payments expenses due to the impact of the resignation of our chief executive officer during the fourth quarter of 2020.

Administration, selling and marketing expenses

The decrease of $1.2 million in administration, selling and marketing expenses during the quarter ended December 31, 2020 compared to the corresponding period in 2019 was mainly attributable to a reduction of $2.7 million in share-based payment expense mainly due to the impact of the resignation of our former chief executive officer during the quarter ended December 31, 2020, a decrease of $1.5 million in payroll and related expenses mainly cause by the reduction in the workforce and to a decline in the expense related to the STIP, and the recognition of $0.5 million in credits pertaining to the CEWS government grant. This decrease was partially offset by an increase of $1.7 million in directors' and officers' insurance cost and the recognition of a $2.2 million expense pertaining to the additional warrants issued following an amendment to the private placement agreement completed in November 2020.

Share-based payments expense

Share-based payments expense represents the expense recorded as a result of stock options and RSU issued to employees and board members. This expense has been recorded as follows in the consolidated statements of operations:

	Quarter ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Cost of sales and other production expenses	$ 10	$ 12	$ 128	$ (2)	$ (116)
Research and development expenses	(67)	963	1,008	(1,030)	(45)
Administration, selling and marketing expenses	(905)	1,995	2,603	(2,900)	(608)
	$ (962)	$ 2,970	$ 3,739	$ (3,932)	$ (769)

The above table includes the share-based payment expense included in both continuing and discontinued operations.

Share-based payments expenses decreased by $3.9 million during the quarter ended December 31, 2020 compared to the corresponding period in 2019 mainly due to the accounting impact on the estimated forfeitures for the unvested stock options held by the former CEO following his resignation.

Finance costs

Finance costs increased by $1.4 million for the quarter ended December 31, 2020 compared to the corresponding period reflecting higher interest expense due to an increased debt level following the issuance of secured convertible debentures in July 2020 and of the second term loan, as we drew down our full line of credit with SALP in September 2020.

Change in fair value of financial instruments measured at fair value through profit or loss

During the quarter ended December 31, 2020, we recorded a $0.9 million loss on the increase in fair value of the warrant liability between the time of the issuance of the November 2020 warrants and December 31, 2020.

Impairment losses

During the quarter ended December 31, 2020, we recorded an impairment of $20.9 million mainly due to impairments on certain of our ROU assets related to the Ryplazim® CGU whereas in the corresponding period of 2019, we recorded impairments totalling $12.4 million as a result of us narrowing our focus in the plasma-derived therapeutics segment to the production of for congenital plasminogen deficiency, resulting in the impairment of certain capital and intangible assets. Further details are provided in note 24 of our consolidated financial statements for the year ended December 31, 2020.

Net loss from continuing operations

The net loss from continuing operations increased by $2.4 million during the quarter ended December 31, 2020 compared to the corresponding period in 2019. This was mainly driven by the reduction in R&D expenses of $5.6 million and the increase in impairment losses of $8.5 million.

Discontinued operations, net of taxes

The results from discontinued operations have been separated into two components to distinguish the gain we made upon the sale of the business from the results from its operations.

There was no net income from discontinued operations in 2020 whereas in 2019, there was the equivalent of approximately 11 months of operations of the operations that were sold in November 2019.

During the quarters ended December 31, 2020 and 2019, we realized a gain upon the sale of the bioseparations operations which was determined as follows:

Quarter ended December 31	2020	2019
Fair value of the consideration received and receivable:	$ 3,380	$ 51,927
Less:		
Carrying amount of net assets sold	—	(22,015)
Transaction costs	—	(5,015)
Add: Reclassification of foreign currency translation reserve from other comprehensive income into the statement of operations	—	1,449
Gain on sale of subsidiaries (income tax $nil)	$ 3,380	$ 26,346

The gain recorded during the quarter ended December 31, 2019 is higher reflecting the sale of the business in that period whereas the gain recorded during the quarter ended December 31, 2020 represents additional proceeds received upon resolution of a taxation matter.

Segmented information analysis

Comparison of years ended December 31, 2020, 2019 and 2018

The loss and the net loss before income taxes from continuing operations for each segment for the years ended December 31, 2020, 2019 and 2018 are presented in the following tables.

For the year ended December 31, 2020	**Small molecule therapeutics**	**Plasma-derived therapeutics**	**Reconciliation to statement of operations**	**Total**
Revenues	$ 5	$ 2,599	$ 713	$ 3,317
Expenses				
Cost of sales and other production expenses	—	1,905	128	2,033
Manufacturing and purchase cost of product candidates used for R&D activities	106	27,427	—	27,533
R&D - Other expenses	13,107	16,239	(53)	29,293
Administration, selling and marketing expenses	3,269	6,532	28,751	38,552
Segment loss	$ (16,477)	$ (49,504)	$ (28,113)	$ (94,094)
Gain on foreign exchange				(668)
Finance costs				8,982
Gain on extinguishments of liabilities				(79)
Change in fair value of financial instruments measured at fair value through profit or loss				(850)
Impairment losses				20,859
Net loss before income taxes from continuing operations				$ (122,338)
Other information				
Depreciation and amortization	$ 1,007	$ 6,735	$ 705	$ 8,447
Share-based payment expense	2,153	558	3,523	6,234

For the year ended December 31, 2019	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ 34	$ 4,736	$ 134	$ 4,904
Cost of sales and other production expenses	—	2,633	130	2,763
Manufacturing and purchase cost of product candidates used for R&D activities	132	37,107	(195)	37,044
R&D - Other expenses	15,419	22,366	285	38,070
Administration, selling and marketing expenses	4,709	8,368	32,206	45,283
Segment loss	$ (20,226)	$ (65,738)	$ (32,292)	$ (118,256)
Gain on foreign exchange				(1,451)
Finance costs				14,056
Loss on extinguishments of liabilities				92,374
Change in fair value of financial instruments measured at fair value through profit or loss				(1,140)
Impairment losses				12,366
Net loss before income taxes from continuing operations				$ (234,461)
Other information				
Depreciation and amortization	$ 779	$ 7,400	$ 679	$ 8,858
Share-based payment expense	4,782	4,390	12,369	21,541

For the year ended December 31, 2018	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ —	$ 24,521	$ 112	$ 24,633
Cost of sales and other production expenses	—	25,297	410	25,707
Manufacturing and purchase cost of product candidates used for R&D activities	1,692	37,107	(132)	38,667
R&D - Other expenses	14,234	31,727	230	46,191
Administration, selling and marketing expenses	3,522	10,393	15,533	29,448
Segment loss	$ (19,448)	$ (80,003)	$ (15,929)	$ (115,380)
Loss on foreign exchange				4,696
Finance costs				22,041
Gain on extinguishments of liabilities				(33,626)
Share of losses of an associate				22
Impairment losses				149,952
Change in fair value of financial instruments measured at fair value through profit or loss				1,000
Net loss before income taxes from continuing operations				$ (259,465)
Other information				
Depreciation and amortization	$ 480	$ 3,644	$ 415	$ 4,539
Share-based payment expense	1,270	1,524	3,606	6,400

As mentioned previously, the amounts for depreciation and amortization expense during 2019 and 2020 have increased for all segments since the adoption of IFRS 16 captures part of the lease cost as depreciation of right-of-use assets.

Small molecule therapeutics segment

The loss for the small molecule therapeutics segment was $16.5 million during the year ended December 31, 2020 compared to $20.2 million during the corresponding period in 2019, representing a decrease in segment loss of $3.7 million. This decrease is mainly due to a decrease in other R&D expenses of $2.3 million and of administration, selling and marketing of $1.4 million.

The decrease in R&D – other expenses is explained by a number of variances, including a reduction in share-based payments expense of $1.0 million, the recognition of a credit of $1.0 million related to the CEWS government grant, a reduction in clinical trials of $1.2 million and a decrease in payroll and related expenses of $4.1 million due to a reduction in our workforce and to variations in the pay-out related to our STIP. These decreases were partially offset by an increase in preclinical study expenses of $2.1 million primarily for GPR84, the increase in professional fees of $1.6 million and the reduction in R&D tax credits of $1.2 million as in 2019, we utilized previously unrecognized non-refundable Canadian Federal R&D tax credits resulting in additional R&D credits of $1.3 million being recorded.

The administration, selling and marketing expenses decrease was mainly due to a reduction of $1.6 million in share-based payments expense.

Plasma-derived therapeutic segment

The revenues for the plasma-derived therapeutics segment are generated from the sales of specialty plasma and normal source plasma to third parties, although the revenues from the latter have been minimal during the last two years. The revenues for the plasma-derived therapeutics segment were $2.6 million for the year ended December 31, 2020 compared to $4.7 million for the corresponding period in 2019, representing a decrease of $2.1 million mainly due to lower specialty plasma sales.

The manufacturing cost of plasma-derived product candidates to be used in clinical trials and for the development of our production processes of $27.4 million during the year ended December 31, 2020 decreased by $9.7 million from $37.1 million in the previous period. This change was mainly driven by a reduction of materials expensed for R&D purposes of $4.4 million. The higher expensing of materials in 2019 reflected managements' outlook regarding the usage of the inventories to supply clinical trial patients in light of the anticipated timeline for BLA resubmission. The expensing of materials in 2020 is lower due to a combination of a reduction of patients in our compassionate use programs and the reduction in the time period we expect to supply those patients. Additionally, we recognized a credit of $4.1 million relating to the CEWS grant. We also recognized $1.3 million in R&D tax credit in the year ended December 31, 2020 compared to a reversal of R&D tax credit of $1.0 million in the comparative period following the resolution of R&D tax credit uncertainties regarding the eligibility of certain expenses from 2014 to 2019, upon conclusion of an audit by the taxation authorities in 2020. These decreases were partially offset by an increase of $0.6 million related to professional fees and operating expenses incurred to prepare for the FDA audit in connection with the resubmission of the BLA.

R&D - other expenses were $16.2 million for the year ended December 31, 2020, a decrease of $6.1 million from the $22.4 million for the year ended December 31, 2019. The decrease is results from a reduction in payroll and related expenses of $1.1 million mainly due a reduction of our workforce in our R&D facility in Rockville, MD and a reduction of $3.1 million related to share-based payments expense.

Administration, selling and marketing expenses at $6.5 million for the year ended December 31, 2020 decreased by $1.8 million from $8.4 million for the year ended December 31, 2019 as a result of a reduction in payroll and related expenses of $1.5 million due to reduction in workforce.

The loss for the plasma-derived therapeutic segment was $49.5 million for the year ended December 31, 2020 compared to $65.7 million during the corresponding period in 2019, representing a decrease of $16.2 million in segment loss. The decrease was mainly driven by the overall reduction in the manufacturing cost of Ryplazim® to be used in clinical trials and development of our production process of $9.7 million and the reduction of $6.1 million in R&D - other expenses as explained above.

Comparison of quarters ended December 31, 2020, 2019 and 2018

The loss for each segment and the net loss before income taxes from continuing operations for the quarters ended December 31, 2020, 2019 and 2018 are presented in the following tables:

For the quarter ended December 31, 2020	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ 3	$ 756	$ 276	$ 1,035
Cost of sales and other production expenses	—	392	53	445
Manufacturing and purchase cost of product candidates used for R&D activities	49	5,818	—	5,867
R&D - Other expenses	3,033	2,881	(145)	5,769
Administration, selling and marketing expenses	927	1,029	7,114	9,070
Segment loss	$ (4,006)	$ (9,364)	$ (6,746)	$ (20,116)
Loss on foreign exchange				42
Finance costs				3,264
Change in fair value of financial instruments measured at FVPL				(850)
Impairment losses				20,859
Net loss before income taxes from continuing operations				$ (43,431)
Other information				
Depreciation and amortization	$ 260	$ 1,784	$ 183	$ 2,227
Share-based payment expense	756	175	(1,893)	(962)

For the quarter ended December 31, 2019	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	1	1,015	34	1,050
Cost of sales and other production expenses	—	493	35	528
Manufacturing and purchase cost of product candidates used for R&D activities	78	6,511	3	6,592
R&D - Other expenses	5,062	5,444	155	10,661
Administration, selling and marketing expenses	1,268	2,418	6,592	10,278
Segment loss	$ (6,407)	$ (13,851)	$ (6,751)	$ (27,009)
Gain on foreign exchange				(205)
Finance costs				1,858
Impairment losses				12,366
Net loss before income taxes from continuing operations				$ (41,028)
Other information				
Depreciation and amortization	$ 206	$ 1,899	$ 217	$ 2,322
Share-based payment expense	525	562	1,658	2,745

For the quarter ended December 31, 2018	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ —	$ 3,352	$ 27	$ 3,379
Cost of sales and other production expenses	—	3,230	129	3,359
Manufacturing and purchase cost of product candidates used for R&D activities	(59)	10,508	14	10,463
R&D - Other expenses	2,587	6,033	108	8,728
Administration, selling and marketing expenses	700	2,120	7,345	10,165
Segment loss	$ (3,228)	$ (18,539)	$ (7,569)	$ (29,336)
Loss on foreign exchange				3,819
Finance costs				6,554
Gain on extinguishments of liabilities				(34,904)
Impairment losses				149,952
Change in fair value of financial instruments measured at fair value through profit or loss				1,000
Net loss before income taxes from continuing operations				$ (155,757)
Other information				
Depreciation and amortization	$ 130	$ 920	$ 160	$ 1,210
Share-based payment expense	691	735	2,182	3,608

Small molecule therapeutics segment

The segment loss for the small molecule therapeutics segment was $4.0 million during the quarter ended December 31, 2020 compared to $6.4 million during the corresponding period in 2019, representing a decrease in segment loss of $2.4 million. This decrease in loss is partially explained by a reduction $2.0 million in R&D – other expenses, mainly due to reduction in payroll and related expenses also declined by $3.1 million, partially offset by an increase in preclinical studies expenses by 0.8 million.

Plasma-derived therapeutic segment

The revenues for the plasma-derived therapeutics segment were $0.8 million for the year ended December 31, 2020 compared to $1.0 million for the corresponding period in 2019, representing a decrease of $0.3 million mainly due to lower specialty plasma sales.

The cost of sales and production expenses decreased by $0.1 million during the quarter ended December 31, 2020 compared to the corresponding period in 2019 mainly due to the reduction in the volume of sales of specialty plasma as the margin remained stable.

The manufacturing cost of plasma-derived product candidates to be used in clinical trials and for the development of our production processes of $5.8 million during the quarter ended December 31, 2020 decreased by $0.7 million from $6.5 million in the previous period. This decrease was mainly driven by the increase in R&D tax credit of $2.5 million due to the recognition of $1.3 million in R&D tax credit in the quarter ended December 31, 2020 compared to a reversal of R&D tax credit of $1.2 million in the comparative period following the resolution of R&D tax credit uncertainties regarding the eligibility of certain expenses from 2014 to 2019, upon conclusion of an audit by the taxation authorities in 2020. The decrease is also due to a decrease in payroll and related expenses of $1.0 million and the recognition of a credit of $1.3 million related to the CEWS government grant. This was partially offset by an increase of materials expensed for R&D purposes of $4.5 million.

Other R&D expenses at $2.9 million for the quarter ended December 31, 2020 decreased by $2.6 million from $5.4 million for the quarter ended December 31, 2019 due to a reduction of $0.3 million in share-based payments and a reduction in payroll and other related expenses of $1.1 million as a result of the reduction of headcount in

our R&D facility in Rockville, MD, a reduction in the expense related to the STIP and this being partially offset by an increase in support provided by employees working in the small molecules segment and Corporate.

Administration, selling and marketing expenses at $1.0 million during the quarter ended December 31, 2020 decreased by $1.4 million from $2.4 million for the quarter ended December 31, 2019 mainly due to reduction of workforce in our R&D facility in Rockville, MD.

The loss for the plasma-derived therapeutic segment was $9.4 million for the quarter ended December 31, 2020 compared to $13.9 million during the corresponding period in 2019, representing a decrease of $4.5 million in segment loss. The decrease was mainly driven by the overall reduction in R&D – other expenses of $2.6 million and of administration, selling and marketing expenses of $1.4 million.

Selected annual information

The following table presents selected audited annual information for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
Revenues	$ 3,317	4,904	$ 24,633
Net loss from continuing operations attributable to owners of the parent	(121,305)	(233,180)	(197,298)
Net loss from continuing operations per share attributable to owners of the parent (basic and diluted)	(4.96)	(14.52)	(238.28)
Total assets	117,784	165,098	102,892
Total long-term financial liabilities	$ 78,785	$ 38,721	$ 126,965

Revenues from the sales of goods decreased by $1.6 million in 2020 mainly due to decrease in specialty plasma sales and decreased by $19.1 million in 2019 mainly due to the fact that the 2018 revenues include $22.9 million in sales of excess normal source plasma in 2018.

The net loss from continuing operations attributable to the owners of the parent, defined as the amount attributable to the shareholders of Liminal Biosciences, decreased significantly by $111.9 million from 2019 to 2020 due mainly to the following: 1) to the recognition of a loss on extinguishment of liabilities in the comparative 2019 period of $92.4 million and a reduction of $5.1 million of finance cost following the debt restructuring in April 2019, and 2) the decrease in share-based payments expense of approximately $14.1 million. This was partially offset by the increase in impairment losses of $8.5 million due to an impairment in plasma-derived assets in the current period.

The net loss from continuing operations attributable to the owner of the parent increased by $35.9 million from 2018 to 2019. This increase was mainly due to the following: 1) the recognition of a gain on extinguishments of liabilities of $33.6 million following the modifications to the US$ credit facility and loans we had with SALP in November 2018 compared to the loss on extinguishment of liabilities of $92.4 million following the debt restructuring, reflecting an increase in losses of $126.0 million, 2) a decline In R&D expenses by $8.7 million from the previous year 3) an increase in financing cost by $14.2 million, 4) the recording of impairment loss on the Nantpro licence in 2018 (net of the portion attributable to the non-controlling interest) of $102.9 million in 2018 compared to $12.4 million in 2019, decreasing the impairment loss by $95.0 million.

The net loss from continuing operations per share attributable to the owners of the parent on a basic and diluted basis reflects the changes in the net loss from continuing operations attributable to the owner of the parent but also the increase in the number of common shares outstanding from year to year and was significantly impacted by the number of shares issued in April 2019 upon a debt restructuring transaction and the issuance of equity following private placements. The weighted average number of shares increased from 828 thousand common shares in 2018, to 16,062 thousand common shares in 2019 then to 24,438 thousand common shares in 2020 causing the loss per share amounts to be significantly lower in 2019 and in 2020.

Total assets decreased by $47.3 million from $165.1 million at December 31, 2019 to $117.8 million at December 31, 2020 mainly due to a reduction in cash and cash equivalents of $16.2 million, a reduction of income tax receivable of $9.2 million as prior year claims were received and no new claims are being recorded as we are no longer eligible for U.K. R&D tax credit, and a reduction in the long-term assets following the impairment recorded on certain of the plasma-derived therapeutic assets in 2020. Total assets increased by $62.2 million from $102.9 million at December 31, 2018 to $165.1 million at December 31, 2019 mainly due to recognition of the right-of-use assets following the adoption of IFRS 16 and a higher cash and cash equivalents balance at December 31, 2019 by $53.9 million.

Long-term financial liabilities increased by $40.1 million at December 31, 2020 from December 31, 2019, mainly due our drawdown on the non-revolving line of credit of $29.1 million on September 14, 2020 and to the November 2020 warrants recognized as a warrant liability having a balance of $11.6 million at December 31, 2020. Long-term financial liabilities decreased by $88.2 million at December 31, 2019 from December 31, 2018, mainly due to the restructuring of the long-term debt on April 23, 2019, which was partially offset by the recording of the long-term portion of lease liabilities following the adoption of IFRS 16 on January 1, 2019.

Summary of consolidated quarterly results

The following table presents selected quarterly financial information for the last eight quarters:

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$ 1,035	$ 639	$ 540	$ 1,103	$ 1,050	$ 828	$ 762	$ 2,264
R&D expenses	11,636	12,408	15,797	16,985	17,253	18,101	22,289	17,471
Administration, selling and marketing expenses	9,070	8,959	9,851	10,672	10,278	9,865	18,045	7,095
Element attributable to the owners of the parent:								
Net loss from continuing operations	(43,103)	(23,098)	(27,760)	(27,344)	(39,397)	(29,521)	(135,846)	(28,416)
Net income (loss) from discontinued operations	3,380	—	—	—	25,043	(81)	2,229	280
Basic & diluted earning per share from continuing operations	(1.58)	(0.98)	(1.19)	(1.17)	(1.69)	(1.27)	(8.26)	(33.59)
Basic & diluted earning per share from discontinuing operations	0.12	—	—	—	1.07	—	0.14	0.33

Our revenues are mainly driven by the timing of our specialty plasma sales which may vary from quarter to quarter however generally represent a stable revenue stream. R&D expenses have steadily declined since the second quarter of 2019, mainly due to the reduction in manufacturing costs for Ryplazim used in R&D as well as the reduction of payroll and related expenses following workforce reductions and recognition of the CEWS government grant. Administration, selling and marketing expenses remain generally stable except for the peak in the second quarter of 2019 as various changes were made to our long-term equity incentive plans which resulted in a significant expense taken in that particular quarter.

Net loss from continuing operations variation over the last eight quarters is mainly explained by R&D expenses and administration, selling and marketing expenses as discussed above. Net loss from continuing operations during the second quarter of 2019 was significantly higher due to the loss on extinguishment of liability of $92.3 million due to the debt restructuring. The net loss from continuing operations in the fourth quarters of 2019 and 2020 were higher due to the recognition of impairment losses, mainly for our plasma-derived therapeutics segment, of $12.4 million and $20.9 million respectively.

Net income from discontinuing operations represents the activities from our former Bioseparations segment divested in November 2019 and includes a gain on the sale of $26.3 million. The fourth quarter of 2020 includes an additional gain of $3.4 million as we received additional proceeds following the resolution of uncertain tax positions for one of the subsidiaries sold.

The basic and diluted loss per share from continuing operations decreased significantly between the first and second quarter of 2019 mainly due to the increased number of shares outstanding following the debt restructuring in the second quarter of 2019. For the subsequent quarters, the basic and diluted loss per share from continuing operations is generally declining reflecting the decreasing trend of the net loss from continuing operations.

Acquisition of Fairhaven Pharmaceuticals Inc.

Pursuant to a share purchase agreement, or SPA, dated July 17, 2020, we acquired 100% of the issued and outstanding common shares of Fairhaven, a company with a preclinical research program of small molecule antagonists. In payment of the initial amount of $3.6 million due upon closing of the acquisition, we issued 202,308 common shares recorded at a fair value of $3.4 million based on the closing price of our common shares at the date of the transaction. Upon achievement of certain pre-determined research and development milestones prior to the fifth anniversary of the closing date of the acquisition, additional payments in the form of common shares totaling up to $4.4 million may become due.

As Fairhaven did not meet the definition of a business under IFRS 3, "Business Combinations", the acquisition has been accounted for as an asset acquisition essentially resulting in the recognition of an intangible asset representing the licensing rights acquired. Refer to note 5 of our consolidated financial statements for the year ended December 31, 2020 for the complete details regarding the accounting for this transaction.

Outstanding share data

We are authorized to issue an unlimited number of common shares. At March 22, 2021, 29,943,839 common shares, 1,870,212 options to purchase common shares, 4,192 restricted share units and 8,067,469 warrants to purchase common shares were issued and outstanding.

Transactions between related parties (as defined per IAS 24)

Balances and transactions between our subsidiaries, which are related parties, have been eliminated on consolidation and are not reported. These transactions have been recorded at the exchange amount, meaning the amount agreed to between the parties.

Following the debt modification on November 14, 2018, we assessed whether SALP, the holder of the debt, had gained significant influence for accounting purposes, despite holding less than 20% of voting rights. We deemed that qualitative factors were significant enough to conclude that the holder of the debt had gained significant influence over us and had become a related party. SALP subsequently became our majority shareholder, or our parent entity, following the debt restructuring completed on April 23, 2019.

All material transactions with SALP are disclosed in notes 15, 16, 17a, 19a, 19c and 29 in our consolidated financial statements for the year ended December 31, 2020. The key transactions with our parent entity mainly pertain to financing transactions and are for significant amounts. Related party transactions with SALP include:

- the issuance of loans, sometimes in combination with warrants in exchange of cash;
- the recording and payment of interest on the loans with SALP with cash;
- the modification of the terms of warrants held by SALP in payment for modifications to the terms of the loans;
- the extinguishment of loans in exchange for the issuance of common shares (debt restructuring).
- the issuance of common shares, sometimes in combination with warrants in exchange for cash; and
- the reimbursement of professional fee expenses.

In addition to our transactions with our parent, a former CEO had a share purchase loan outstanding in the amount of $0.4 million at December 31, 2018 with the Company. The loan bore interest at prime plus 1% and had a

maturity date of the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted Nasdaq or New York Stock Exchange listing date of our common shares. As part of the settlement agreement concluded in April 2019 with the former CEO, common shares held in escrow as security for a share purchase loan of $0.4 million to the former CEO were released and the loan extinguished in exchange for the receipt of a payment of $137,000, representing the fair value of the shares at the time of the settlement.

Changes in accounting policies

We have applied the accounting policies used in the annual consolidated financial statements in a consistent manner with those applied by us in our December 31, 2019 and 2018 audited annual consolidated financial statements except for the amendments to certain accounting standards which are relevant to us and were adopted as of January 1, 2019 as described below.

IFRS 16, *Leases or IFRS 16*

IFRS 16 replaces IAS 17, *Leases* or IAS 17. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is less than 12 months, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

Effective January 1, 2019, we adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The cumulative effect of initially applying the standard is recognized at the date of initial application. The current and long-term portions of operating and finance lease inducements and obligations presented in the statement of financial position at December 31, 2018, reflect the accounting treatment under IAS 17 and related interpretations.

We elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4, *Determining whether an arrangement contains a lease at the date of initial application*. We applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

We also elected to record right-of-use assets for leases previously classified as operating leases under IAS 17 based on the corresponding lease liability, adjusted for prepaids or liabilities existing at the date of the transition that relate to the lease. When measuring lease liabilities, we discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average discount rate applied to the total lease liabilities recognized on transition was 18.54%. For leases that were previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of adoption was established as the carrying amount of the lease asset classified in capital assets and the finance lease obligation at December 31, 2018. These assets and liabilities are grouped under right-of-use assets and lease liabilities as of January 1, 2019 and IFRS 16 applies to these leases as of that date.

In addition, we elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases for which it is not required to recognize a right-of-use asset and a corresponding lease liability. We also elected to not apply IFRS 16 when the underlying asset in a lease is of low value.

We have elected, for the class of assets related to the lease of building space, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The table below shows which line items of the consolidated financial statements were affected by the adoption of IFRS 16 and the impact. There was no net impact on the deficit.

	As reported as at December 31, 2018	Adjustments for the transition to IFRS 16	Balance as at January 1, 2019
Assets			
Prepaids	$ 1,452	$ (84)	$ 1,368
Capital assets	41,113	(1,043)	40,070
Right-of-use assets	—	39,149	39,149
Liabilities			
Accounts payable and accrued liabilities	$ 31,855	$ (2,499)	$ 29,356
Current portion of lease liabilities	—	8,575	8,575
Long-term portion of lease liabilities	—	34,126	34,126
Long-term portion of operating and finance lease inducements and obligations	1,850	(1,850)	—
Other long-term liabilities	5,695	(330)	5,365

Prior to adopting IFRS 16, the total minimum operating lease commitments as at December 31, 2018 were $75.0 million. The decrease between the total of the minimum lease payments set out in Note 29 of our audited annual consolidated financial statements for the year ended December 31, 2018 and the total lease liabilities recognized on adoption of $42.7 million was principally due to the effect of discounting on the minimum lease payments. The amount also decreased slightly due to the fact that certain costs that are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate, were previously included in the lease commitment table whereas they are not included in the calculation of the lease liabilities. These impacts were partially offset by the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods that had not yet been exercised as at December 31, 2018 which effect is to increase the liability. Right-of-use assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease.

The consolidated statement of operations for the year ended December 31, 2019 and onwards were impacted by the adoption of IFRS 16 as the recording of depreciation of the right-of-use assets continues to be recorded in the same financial statement line items as it was previously while the implicit financing component of leasing agreements is now recorded under finance costs. The impact is not simply in the form of a reclassification but also in terms of measurement, which are significantly affected by the discount rates used and whether we have included renewal periods when calculating the lease liability.

The consolidated cash flow statement for the year ended December 31, 2019 and onwards were also impacted since the cash flows attributable to the lease component of the lease agreements are now shown as payments of principal and interest on lease liabilities which are now part of cash flows from financing activities.

IFRIC 23, *Uncertainty over income tax treatments or IFRIC 23*

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 – *Income Taxes* are applied where there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019 and was adopted on that date. We assessed the impact of this Interpretation and concluded that it had no impact on the amounts recorded in its consolidated statements of financial position on the date of adoption.

Amendments to IFRS 3, *Business Combinations or IFRS 3*

The amendments to IFRS 3 clarifies the definition of a business and includes an optional concentration test to determine whether an acquired set of activities and assets is a business. These amendments were adopted on January 1, 2020 and are applied prospectively to acquisitions made on or after this date.

New Standards and interpretations not yet adopted

The IFRS accounting standards, amendments, and interpretations that we reasonably expects may have a material impact on our disclosures, our financial position or our results of operations when applied at a future date are as follows:

Amendment to IFRS 16, Leases or IFRS 16 for COVID-19-Related Rent Concessions - IFRS 16 has been revised to incorporate an amendment issued by the IASB in May 2020. The amendment permits lessees not to assess whether particular COVID-19-related rent concessions are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19-related rent concessions. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and earlier application is permitted. Presently, we have not benefited from COVID-19 related rent concessions.

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets or IAS 37 - IAS 37 has been revised to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The cumulative effect of initially applying the amendment, if any, will be recorded as an adjustment to the opening retained earnings and comparative periods will not be restated. Earlier application is permitted.

Amendment to IFRS 9 Financial Instruments or IFRS 9 - IFRS 9 has been revised to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and is to be applied to financial liabilities that are modified after the date of adoption. Earlier application is permitted.

Amendments to IAS 1, Presentation of Financial Statements or IAS 1 - IAS 1 has been revised to clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity. The amendments are applicable retrospectively and is effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

At the present time, we do not expect the amendments to IFRS 16, IAS 37, IFRS 9 and IAS 1 will have a significant effect on its financial statements when these amendments are adopted by us. This assessment may change as we approach the various dates of adoption, as additional amendments may be issued and new transactions occur.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with IFRS. Some of the accounting methods and policies used in preparing our financial statements under IFRS are based on complex and subjective assessments by our management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the facts and circumstances concerned. The actual value of our assets, liabilities and shareholders' equity and of our EPS could differ from the value derived from these estimates if conditions changed and these changes had an impact on the assumptions adopted. We believe that the most significant management judgments and assumptions in the preparation of our financial statements are described below. We have also provided the critical accounting policies. See Note 2 to our consolidated financial statements for the year ended December 31, 2020 for a description of our other significant accounting policies.

Critical accounting policies

Financial instruments

Recognition and derecognition

Financial instruments are recognized in our consolidated statement of financial position when we become a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their

fair value plus, in the case of financial instruments not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of financial instruments. Financial assets are subsequently derecognized when payment is received in cash or other financial assets or if the debtor is discharged of its liability.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Classification

Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified. Financial instruments are measured at amortized cost unless they are classified as fair value through other comprehensive income, or FVOCI, classified as FVPL or designated as FVPL, in which case they are subsequently measured at fair value.

The classification of financial asset debt instruments is driven by our business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVPL. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or we have opted to measure them at FVPL.

Currently, we classify cash, cash equivalents, trade receivables, other receivables, restricted cash, and long-term deposits as financial assets measured at amortized cost and trade payables, wages and benefits payable, royalty payment obligations, license acquisition payment obligations, other employee benefit liabilities and long-term debt as financial liabilities measured at amortized cost.

We classify the warrant liability as a financial liability at FVPL for which the variation in fair value is recorded in consolidated statement of operations. We previously held an investment in convertible debt that it classified as financial assets at FVPL in the year ended December 31, 2018.

Impairment of financial assets

The expected credit losses associated with its debt instruments carried at amortized cost is assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

Cash equivalents

Cash and cash equivalents comprise deposits in banks and highly liquid investments having an original maturity of 90 days or less when issued.

Impairment of long-lived assets

At the end of each reporting period, we review the carrying amounts of our capital, ROU and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If impairment indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. For intangible assets not yet available for use, we perform an impairment test annually at November 30, until amortization commences, whether or not there are impairment indicators. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU which represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, groups of assets or CGUs to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount by the amount of this excess. An impairment loss is recognized immediately in profit or loss in the period during which the loss is incurred. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount; on reversal of an impairment loss, the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Lease liabilities

At the commencement date of a lease, we recognize a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating a lease, if the lease term reflects that we will be exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of a lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of a lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment whether the underlying asset will be purchased.

We apply the short-term lease recognition exemption to leases of 12 months or less, as well as the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Revenue recognition

To determine revenue recognition for contracts with customers, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The five-step model is only applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer. At contract inception, we assess the goods or services promised within each contract, determine those that are performance obligations, and assess whether each promised good or service is distinct. The transaction price that is allocated to the respective performance obligation is recognized as revenue when (or as) the performance obligation is satisfied.

Sale of goods

Revenue from sale of goods is recognized when the terms of a contract with a customer have been satisfied. This occurs when:

- The control over the product has been transferred to the customer; and
- The product is received by the customer or transfer of title to the customer occurs upon shipment.

Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. Revenue is recognized based on the price specified in the contract, net of estimated sales discounts and returns.

Rendering of services

Revenues from contracted services are generally recognized as the performance obligations are satisfied over time, and the related expenditures are incurred pursuant to the terms of the agreement. Contract revenue is recognized on a percentage of completion basis based on key milestones contained within the contract.

Licensing fees and milestone payments

Under IFRS 15, we determine whether our promise to grant a license provides the customer with either a right to access our intellectual property, or IP or a right to use our IP. A license will provide a right to access the intellectual property if there is significant development of the intellectual property expected in the future whereas for a right to use, the intellectual property is to be used in the condition it is at the time the license is signed. Revenue from a license that provides to a customer the right to use our IP is recognized at a point in time when the transfers to the licensee is completed and the license period begins. When a license provides access to our IP over a license term, the performance obligation is satisfied over time and, therefore, revenue is recognized over the term of the license arrangement. Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period.

Royalty

Royalty revenues are recognized once the sale of products to which the royalties give rise occurs.

Rental revenue

We account for the lease or sub-lease with a tenant as an operating lease when we have not transferred substantially all of the risks and benefits of ownership of our property or leased property. Revenue recognition under an operating lease commences when the tenant has a right to use the leased asset, and the total amount of contractual rent to be received from the operating lease is recognized on a straight-line basis over the term of the lease. Rental revenue also includes recoveries of operating expenses and property taxes.

Share-based payments

We have a stock option plan and an RSU plan. The fair value of stock options granted is determined at the grant date using the Black-Scholes option pricing model and is expensed over the vesting period of the options. Awards with graded vesting are considered to be multiple awards for fair value measurement. The fair value of RSU is determined using the market value of our shares on the grant date. The expense associated with RSU awards that vest over time are recognized over the vesting period. When the vesting of RSU is dependent on meeting performance targets as well as a service requirement, we will estimate the outcome of the performance targets to determine the expense to recognize over the vesting period and revise those estimates until the final outcome is determined. An estimate of the number of awards that are expected to be forfeited is also made at the time of grant and revised periodically if actual forfeitures differ from those estimates.

Our policy is to issue new shares upon the exercise of stock options and the release of RSU for which conditions have been met.

Significant judgments and estimates

Going concern - In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about our ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. We have considered a wide range of factors relating to expected cash inflows such as whether we will earn licensing and milestone revenues, obtain regulatory approval for commercialization of product candidates, if ever, and potential sources of debt and equity financing available to us. We have also estimated expected cash outflows such as operating and capital expenditures and debt repayment schedules, including the ability to delay uncommitted expenditures. These cash flow estimates are subject to uncertainty.

Accounting for loan modifications – When the terms of a loan are modified, we must evaluate whether the terms of the loan are substantially different in order to determine the accounting treatment. If they are considered to be substantially different, the modification will be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at its fair value. Otherwise, the changes will be treated as a modification which will result in adjusting the carrying amount to the present value of the modified cash flows using the original effective interest rate of the loan instrument. In assessing whether the terms of a loan are substantially different, we perform an analysis of the changes in the cash flows under the previous agreement and the new agreement and we also consider other modifications that have no cash flow impacts. In the context of the simultaneous modification to the terms of several loans with the same lender, we use judgment to determine if the cash flow analysis should be performed on the loans in aggregate or individually. Judgment is also used to evaluate the relative importance of additional rights given to the lender such as additional Board of Director seats and the extension of the term of the security compared to the quantitative analysis.

Functional currency – The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. During the years ended December 31, 2020 the functional currency of the Pathogen Removal and Diagnostic Technologies Inc., or PRDT, subsidiary changed from £ to USD. In 2019 and 2018 no changes were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine, amongst other things, the primary economic environment in which an entity operates, the currency in which the activities are funded and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of our net investment in the foreign subsidiary. Considering such loans as part of the net investment in the foreign subsidiary results in foreign currency translation gains or losses from the translation of these loans being recorded in other comprehensive loss instead of the consolidated statement of operations.

Share-based compensation - On March 23, 2020, our board of directors approved a plan to seek shareholder approval to modify the exercise price of certain stock options as disclosed in note 18b in our consolidated financial statements. In order to determine when the expense related to this modification is recognized in our consolidated statement of operations, we evaluated the timing of notification to option holders, the timing and method of determining the exercise price and the service period. We further considered whether the holders of the stock options had sufficient understanding of the terms and conditions of the potentially revised awards, the degree of certainty of the approval for the repricing and whether the service period for earning the rights to the awards had commenced. We concluded that the definition of the grant date was not met but that the service period had commenced and therefore a preliminary calculation of the incremental fair value of the repricing of the awards was performed using assumptions as of March 31, 2020. On May 26, 2020, the conditions for a grant date were met and the options exercise price was revised to $15.21 and a final calculation to determine the incremental fair value of the repriced options was performed.

COVID-19 – The negative impact of the COVID-19 pandemic on our financial statements for year ended December 31, 2020 has been limited, however we were eligible for salary and rent subsidy programs from the Government of Canada under which it submitted claims. The subsidy programs may provide further financial support while the programs are available. Consistent within the global biopharmaceutical sector, some clinical programs may have been and may be impacted by the shift of resources within hospitals to COVID-19 and related matters, resulting in potential delays to recruitment or site initiation on our clinical and preclinical programs, and potentially causing an adjustment of certain development timelines and activities. The partial disruption caused by COVID-19 may continue to impact our operations, workforce and overall business by delaying the progress of our research and development programs, regulatory submissions and reviews, regulatory inspections, production and plasma collection activities and business and corporate development activities. There is uncertainty as to the duration of the COVID-19 pandemic and related government restrictions, including travel bans, the impact on our workforce, and the availability of donors, healthy subjects and patients for the conduct of clinical trials, and the effects of the COVID-19 pandemic, including on the global economy, continue to be fluid. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these interim financial statements, we are not aware of any specific event or circumstance that would require it to update our estimates, assumptions and judgments or revise the carrying value of our assets or liabilities, and we are unable to estimate the potential impact on our future business or our

financial results as of the date of this filing. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, are determined using valuation techniques. We use judgment to select the methods used to determine certain inputs/assumptions used in the models and the models used to perform the fair value calculations in order to determine, 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) the fair value of financial instruments subsequently carried at amortized cost. When the determination of the fair value of a new loan is required, discounted cash flow techniques which includes inputs that are not based on observable market data and inputs that are derived from observable market data are used. When determining the appropriate discount rates to use, we seek comparable interest rates where available. If unavailable, we use those considered appropriate for the risk profile of a Company in the industry.

In determining the fair value of the warrants issued in November 2020 presented as a warrant liability in the consolidated statement of financial position at December 31, 2020, and considered to be a level 3 measurement, we made assumptions on unobservable inputs used in the valuation model that have an important impact on the resulting fair value computed.

Notably, we estimated the timing and the amounts of equity financings it expects to complete before the expiry of those warrants. The fair value computed could be higher if our actual equity financing needs are higher than those expected. We also estimated the future volatility of the common shares of Liminal for the contractual life of the warrants. To do so, we used the historical volatility its own shares and of comparable company in the same industry as a starting basis for this estimate and also considered whether there are factors that would indicate that the historical volatility is not indicative of the future. In addition, we applied an illiquidity discount rate on the resulting Black-Shole pricing model to reflect that the November 2020 warrants are not publicly traded instruments and therefore the ability to sell them is limited. In establishing the illiquidity discount rate, we considered the remaining life of the warrants and the volatility assumption for the underlying share. The fair value of the warrants could be higher if we had selected a higher volatility assumption and a lower illiquidity discount rate.

The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Leases - We determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that this option will not be exercised.

We have the option, under some of our leases, to lease the assets for additional terms of up to fifteen years. Judgement is applied in evaluating whether it is reasonably certain to exercise the option to renew. That is, all relevant factors that create an economic incentive for us to exercise the renewal are considered. After the commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within our control and affects our ability to exercise (or not to exercise) the option to renew.

The renewal period is included as part of the lease term for a manufacturing plant lease since we estimated it is reasonably certain to exercise due to the importance of this asset to our operations, the limited availability on the market of a similar asset with similar rental terms and the related cost of moving the production equipment to another facility.

Uncertainty over income tax treatments - R&D tax credits for the current period and prior periods are measured at the amount we expect to recover, based on our best estimate and judgment, of the amounts it expects to receive from the tax authorities as at the reporting date, either in the form of income tax refunds or refundable grants. However, there are uncertainties as to the interpretation of the tax legislation and regulations, in particular regarding what constitutes eligible R&D activities and expenditures, as well the amount and timing of recovery of these tax credits. In order to determine whether the expenses we incur are eligible for R&D tax credits, we must use judgment and may resort to complex techniques, which makes the recovery of tax credits uncertain. As a result, there may be a significant difference between the estimated timing and amount recognized in the consolidated financial statements in respect of tax credits receivable and the actual amount of tax credits received as a result of the tax administrations' review of matters that were subject to interpretation. The amounts recognized

in the consolidated financial statements are based on our best estimates and in our best possible judgment, as noted above.

Assessing the recoverable amount of long-lived assets - We evaluate the recoverable value of long-lived assets when indicators of impairment arise or as part of the annual impairment test, if they are intangible assets not yet available for use. The recoverable value is the higher of the value in use and the FVLCD.

Long-lived assets include capital assets, ROU assets and intangible assets such as patents and licenses and other rights. Some of these rights are considered not available for use until regulatory approval to commercialize the product candidate is obtained.

When calculating the net recoverable amounts, we make estimates and assumptions regarding the outcome of certain future events, future cash flows and their timing.

When determining the FVLCD, significant estimates we made include amongst others, the outcome of the exercise we have undertaken in evaluating the potential alternatives for the Ryplazim® CGU, including the probability of completing a sale or closing those activities; the operating cash outflows to support those operations until one of the alternative strategies is executed; the outcome of the FDA review of the BLA for our Ryplazim® product candidate and the timing of completion of this review; if we will be able to benefit from the monetization of a Priority Review Voucher, if received, and what would be the amount received upon its monetization; and whether some assets, liabilities and commitments could potentially be excluded from the activities sold and for those commitments that could be retained, the possibility of reducing those commitments and what would be their settlement amount. In addition, when calculating the FVLCD of an asset or a group of assets for which selling price information for comparable assets are not readily available, we also must make assumptions regarding the value it may recuperate from its sale.

A plus or minus 10% change in the probability weighted terminal value would impact the impairment we recorded on the Ryplazim® CGU by $ 3,638.

In determining the value in use for the IVIG CGU at December 31, 2018, we made a series of estimates at the time regarding the time period in which the we could possibly resume the activities of this CGU and for earning revenues from the IVIG product candidate, if approved.

Share-based compensation – The RSU expense recognized for RSU in which the performance conditions have not yet been met, is based on an estimation of the probability of successful achievement of a number of performance conditions, many of which depend on research, regulatory process and business development outcomes which are difficult to predict, as well as the timing of their achievement. The final expense is only determinable when the outcome is known.

To determine the fair value of stock options on a given date, we must determine the assumptions that will be used as inputs to the Black-Scholes option pricing model, including the assumption regarding the future volatility of our common shares for the expected life of the stock options. We use the historical volatility as a starting basis for the estimate and also considers whether there are factors that would indicate that the past volatility is not indicative of the future volatility. In making this assessment, we consider changes in our activities and other factors such as a significant share consolidation. As the volatility is an assumption that has a significant impact on the calculated value of a stock option, the impact of this estimate can significantly impact the share-based payment expense over the vesting period of an award.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, we estimate the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. We exercise judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

Financial instruments

Use of financial instruments

The financial instruments that we used result from our operating and investing activities, namely in the form of accounts receivables and payables, and from our financing activities resulting usually in the issuance of long-term debt. We do not use financial instruments for speculative purposes and have not issued or acquired derivative financial instruments for hedging purposes. The following table presents the carrying amounts of our financial instruments at December 31, 2020 and 2019.

	2020	2019
Financial assets		
Cash and cash equivalents	$ 45,075	$ 61,285
Trade receivables	1,664	1,677
Restricted cash	178	169
Long-term deposits	137	143
Financial liabilities		
Trade payables	$ 9,153	$ 10,496
Wages and benefits payable	3,083	5,593
Royalty payment obligations	3,355	3,148
License acquisition payment obligation	—	1,302
Warrant liability	11,640	—
Long-term debt	40,532	8,834

Impact of financial instruments in the consolidated statements of operations

The following line items in the consolidated statement of operations for the quarter and the year ended December 31, 2020 include income, expense, gains and losses relating to financial instruments:

- loss on extinguishments of liabilities
- change in fair value of financial instruments measured at fair value through profit or loss
- finance costs; and
- foreign exchange gains and losses.

Subsequent events

We are, in the course of our business, subject to lawsuits and other claims. On April 15, 2019, we announced its intention to enter into a series of related arrangements to restructure our outstanding indebtedness, reduce our interest and certain other payment obligations, and raise sufficient cash to build a robust balance-sheet for the next phase of our development, collectively the refinancing transactions, which included (i) an offering of common shares through private placements for gross proceeds of $75,000 (note 18a in our consolidated financial statements for the year ended December 31), (ii) the conversion of approximately $229.0 million of the outstanding SALP debt into common shares (note 16 in our consolidated financial statements for the year ended December 31), (iii) the adjustment of the terms of certain outstanding warrants (note 16 in our consolidated financial statements for the year ended December 31) and (iv) a rights offering to all shareholders whereby each shareholder received one right for each common share held (note 18a in our consolidated financial statements for the year ended December 31). The restructuring transaction occurred on April 23, 2019.

On March 2, 2021, we were served with an action instituted by multiple individual shareholder plaintiffs, or the plaintiffs, against us, SALP, the directors that were on the Company's Board on March 31, 2019 or on April 15, 2019, certain officers of the Company and other parties involved with the above refinancing transactions, together referred to as the defendants.

The plaintiffs allege, among other things, that, as part of the refinancing transactions, the defendants (i) undervalued certain products, (ii) reduced certain of their operational activities, (iii) artificially devalued certain assets in order for them to be written-off in the consolidated statement of financial position, (iv) conducted their business in a manner that prevented them from obtaining financing from certain parties and (v) never properly disclosed their financial difficulties, the alleged collective result of which was, among other things, that SALP and Thomvest Asset Management were able to take control of the Company to the detriment of the minority shareholders.

The plaintiffs seek almost $700 million in damages, approximately $664 million of which is based on the loss of future value of the Company's shares.

We believe that the plaintiffs' claims are completely without merit and intends to vigorously defend itself. Defence and settlement costs associated with such lawsuits and claims can be substantial, even when these lawsuits and claims have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have an adverse effect on our operating results or financial performance. No provisions have been recorded in the consolidated financial statements in regards to these claims.

JOBS Act Exemptions and Foreign Private Issuer Status

We qualify as an "emerging growth company" as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. This includes an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act. We may take advantage of this exemption for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than $1.07 billion in total annual gross revenue, have more than $700.0 million in market value of our common shares held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens.

We will not take advantage of the extended transition period provided under Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Since IFRS makes no distinction between public and private companies for purposes of compliance with new or revised accounting standards, the requirements for our compliance as a private company and as a public company are the same.

Additionally, we report under the Exchange Act as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

Liquidity and Capital Resources

Overview

Presently our funding requirements comprise those of our small molecules and plasma-derived therapeutics segments as well as our Corporate activities. We are currently evaluating potential alternatives aimed at minimizing the plasma-derived therapeutics segment cash burn which may result in divestment in whole or in part of this business, and other course of action including the closure of the Ryplazim® related operations in order to focus our resources on the small molecules segment. As the timeline to evaluate the different alternatives available to us and the range in cash expenditures or proceeds can be widely different depending on strategy chosen, including the offers we may receive from third parties, it is difficult to predict our cash needs over the next year.

Generally speaking, our primary uses of cash for our small molecules segment are to fund our ongoing research and development activities. We expect our expenses to increase in connection with these activities, particularly as we continue the research and development of our portfolio of compounds and continue or initiate clinical trials. As 2021 progresses and following the successful completion of our fezagepras phase 1 MAD study, our goal is to secure funding to launch a phase 2 IPF clinical trial.

As previously disclosed, we are assessing strategic alternatives for our plasma-derived therapeutics business, which could result in the divestiture in whole or in part of that business, or in the closure of that business. If we choose to continue with the plasma-derived operations until we are able to divest, funding needs may include the costs to manufacture Ryplazim® and to seek marketing approval. In addition, if we obtain marketing approval, and have not divested the business, we could incur significant commercialization expenses related to program sales, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of potential collaborators as a result of licensing or partnering deals, if any. If our BLA for Ryplazim® is approved by the FDA, we may be also eligible to receive a PRV from the FDA, if we have not divested the business at the point of a potential approval. If received, we anticipate seeking to monetize any PRV received in 2021 to help offset such expenditures. Cash inflows from this business could include the proceeds from entering into a transaction with a third party, if we do so.

Furthermore, we expect to continue to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs, clinical trials or future commercialization efforts.

Identifying potential product candidates and conducting nonclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete. Success in the generation of the necessary data or results required to obtain marketing approval and achieve product sales cannot be certain. In addition, successful commercialisation of our product candidates cannot be certain and any resulting revenue derived from product sales would not arise for many years, if at all.

Until such time that we can generate substantial product revenue, if ever, we will need to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, shareholder ownership interest may be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect the rights of shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or to grant licenses on terms that may not be favourable to us.

If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Liquidity position at December 31, 2020 and analysis of going concern

At December 31, 2020, we had a positive working capital position of $49.3 million which comprised $45.1 million of cash and cash equivalents. The increase in our liquidities since September 30, 2020 reflects the private placement we closed on November 3, 2020, in which a U.S. public investment fund and SALP participated equally, generating approximate net proceeds of $36.9 million (US$27.7 million) for the issuance of 5,757,894 common shares, 557,894 pre-funded warrants, and 6,315,788 warrants. The pre-funded warrants and the warrants each give the holder the right to purchase one common share at an exercise price of US$0.001 and US$5.50 per share respectively. The pre-funded warrants and the warrants were exercisable immediately upon issuance and have a term of five years.

Despite this recent funding, this financial position will not provide us sufficient cash runway to fund our operating activities and meet our contractual and financial obligations for a period of at least 12 months from December 31, 2020.

In our cash management efforts, we have been operating at a low spending level, pacing our investments on new research programs, and reducing infrastructure costs where possible, while we continue taking steps to further

transition our company to focus on the development of our small molecule product candidates. Our liquidity resources are allocated in priority towards the fezagepras phase 1 MAD study and maintaining our plasma-derived therapeutics segment operations, while minimizing its expenditures as we evaluate various options and decide on which one to enact.

We are pursuing a number of financing initiatives that could potentially extend our cash runway, if completed. Potential sources of funding include the key ones identified below:

- We are continuing to evaluate potential strategic collaborations with upfront or continuous funding support;
- We are continuing to evaluate avenues to monetize non-core assets; and
- We will consider raising funds through the issuance of equity instruments.

Until we are successful in completing one or more significant financing transactions that may change our financial condition (which may not be available on acceptable terms, if at all), our current circumstances indicate the existence of a material uncertainty that may cast significant doubt about our ability to continue as a going concern. The perception that we may not be able to continue as a going concern may also make it more difficult to operate our business due to concerns about our ability to meet our contractual obligations and may make it more difficult to obtain a reasonable value on assets we may decide to sell. Further, if we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve our cash in amounts sufficient to sustain operations and meet our obligations. These measures could cause significant delays in our preclinical, clinical and regulatory efforts, which are critical to the realization of our business plan. See "Item 3.D—Risk Factors".

The audited consolidated financial statements as of December 31, 2020 do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should we be unable to continue as a going concern. Such adjustments could be material.

Debt Facility

Prior Indebtedness

On November 14, 2018, we entered into an omnibus amendment agreement with SALP, extending the maturity dates of all four outstanding loans with SALP. As part of the consideration for the extension of the maturity dates of the indebtedness under the loan agreements, we cancelled 100,117 existing warrants and granted 128,056 warrants to SALP, bearing a term of eight years and exercisable at a per share price equal to $1,000.00.

We also entered into an amendment agreement to the Fourth Loan Agreement on February 22, 2019 securing an additional amount of up to US$15.0 million from SALP under the Fourth Loan Agreement.

Restructuring Transactions

On April 23, 2019, we completed transactions pursuant to a debt restructuring agreement we entered into on April 15, 2019 with SALP and certain of our subsidiaries, or the Restructuring Agreement. In accordance with the Restructuring Agreement, (i) SALP acquired 15,050,312 of our common shares, or the New Common Shares, at a price per common share of $15.21, or the Transaction Price, for a total purchase price of $228.9 million, which was satisfied by the cancellation of outstanding indebtedness owed by us, and (ii) certain Warrants to purchase our common shares held by SALP were amended, with new warrants being issued, or the New Warrants, exercisable for 168,735 common shares at a per-share exercise price equal to the Transaction Price. Under the Restructuring Agreement, all but $10.0 million of the outstanding debt we owed to SALP in the aggregate amount of $238.9 million was converted into common shares. We also entered into a consolidated loan agreement with SALP on April 23, 2019, relating to future indebtedness.

Line of Credit

On November 11, 2019, we entered into an amendment to our April 23, 2019 consolidated loan agreement with SALP to include a non-revolving $75.0 million secured line of credit, or the LOC. The LOC limit available to draw upon was automatically reduced by the amounts of net proceeds generated, upon the occurrence of the sale of the bioseparations business to KKR. On September 14, 2020, we drew down $29.1 million, which represented the entire balance available on the LOC.

Secured convertible debentures

Concurrently with the Fairhaven acquisition that closed on July 17, 2020, we issued secured convertible debentures, or SCD, to certain former Fairhaven shareholders, for an aggregate principal amount of $2.4 million and bearing an interest rate of 8% per annum, compounded quarterly. The SCD are due on the earlier of i) March 31, 2022, the maturity date, unless converted into our common shares prior to the maturity date or ii) upon a change of control event. The SCD are secured by all the assets of Fairhaven and rank in priority to the term loans issued under consolidated loan agreement with SALP. At any time prior to the maturity date, the SCD holders have the right to convert the SCD into our common shares. Liminal has the right to convert the SCD into our common shares under certain pre-determined events. The five-trading day VWAP of Liminal's common shares immediately preceding the date of any conversion will be used to determine the number of common shares of the Company that will be issued. At any time prior to the maturity date, the holders have a collective right to purchase additional SCD issued by us for an aggregate principal amount of up to $5.7 million with substantially the same terms and conditions as set out in the original SCD. If the pre-determined events allowing us to trigger the conversion of the SCD occur prior to the maturity date, we have the right to require the holders of the SCD to purchase additional SCD for an aggregate principal amount of up to $5.7 million, which would then be converted into our common shares.

Cash flow analysis

The following major cash flow components are presented on a total company basis, inclusive of continuing and discontinued operations.

The summarized consolidated statements of cash flows for the year ended December 31, 2020 and the corresponding periods in 2019 and 2018 are presented below.

	Year ended December 31			Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Cash flows used in operating activities	$ (75,917)	$ (99,390)	$ (82,454)	$ 23,473	$ (16,936)
Cash flows from financing activities	57,405	117,919	72,158	(60,514)	45,761
Cash flows from (used in) investing activities	2,305	36,096	(5,859)	(33,791)	41,955
Net change in cash and cash equivalents during the year	(16,207)	54,625	(16,155)	(70,832)	70,780
Net effect of currency exchange rate on cash and cash equivalents	(3)	(729)	378	726	(1,107)
Cash and cash equivalents, beginning of the year	61,285	7,389	23,166	53,896	(15,777)
Cash and cash equivalents, end of the year	$ 45,075	$ 61,285	$ 7,389	$ (16,210)	$ 53,896

Cash flows used in operating activities decreased by $23.5 million during the year ended December 31, 2020 compared to the same period in 2019. The decrease can be explained by a reduction in R&D expenses and by the receipt of grants from the Canadian government through programs to support businesses during the COVID-19 pandemic and a reduction in payments to suppliers compared to in the prior year when we settled payments in arrears following the receipt of funding during the quarter ended June 30, 2019. These decreases were partially offset by an increase in directors' and officers' insurance costs.

Cash flows from financing activities decreased by $60.5 million during the year ended December 31, 2020 compared to the same period in 2019 as gross proceeds raised from equity financing declined by $78.8 million, since in 2020 we raised gross proceeds of $39.9 million in a private placement in November 2020 compared to the gross proceeds raised in the April 2019 private placements and in the rights offering in June 2019 of $75.0 million and $39.4 million respectively. The decline was partially offset by an increase of $11.7 million from financings where long-term debt was issued, mainly due to our draw down of $29.1 million in September 2020 on the non-revolving line of credit we had with SALP, representing the entire balance available, which resulted in the issuance of the second term loan. The second term loan bears an annual interest rate of 10% compounded monthly and payable quarterly and matures on April 23, 2024.

In 2019 and 2018, some of our proceeds from the issuance of shares came from shares issued under an ATM equity distribution agreement or EDA, entered into in November 2018, under which we were able, at our discretion and from time to time, subject to conditions in the EDA, to offer common shares through ATM issuances on the TSX for aggregate proceeds not exceeding $31 million. This agreement provided that common shares were to be sold at market prices prevailing at the time of sale. For the year ended December 31, 2018, a total of 1,945 common shares were issued under the ATM, at an average price of $386.12 per share, for aggregate gross proceeds of $0.8 million and total net proceeds of $0.7 million. For the year ended December 31, 2019, a total of 12,865 common shares were issued under the ATM at an average price of $327.55 per share, for aggregate gross proceeds of $4.2 million and total net proceeds of $4.0 million. The ATM facility was suspended concurrently with the debt restructuring in April 2019 and subsequently expired in April 2020.

Cash flows from investing activities decreased by $33.8 million during the year ended December 31, 2020 compared to the same period in 2019 as the proceeds we received from the sale of our bioseparations business, net of transaction costs paid, in 2020, as adjustments to the initial purchase price and following the resolution of a tax matter was significantly lower to the initial payment received upon the closing of the sale, net of the cash divested and transaction costs by $36.0 million.

Research and Development, Patents and Licences

For a discussion of our research and development activities, see "Item 4.B—Business Overview" and "Item 5.A—Operating Results." of the AIF.

Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2020 to December 31, 2020 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions. For a discussion of trends, see "Item 4.B.—Business overview," "Item 5.A.—Operating results," and "Item 5.B.—Liquidity and capital resources." of the AIF.

Off-balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Tabular Disclosure of Contractual Obligations

The timing and expected contractual outflows required to settle our financial obligations recognized in the consolidated statement of financial position at December 31, 2020 and unrecognized purchase obligations and commitments are presented in the table below:

		Contractual Cash flows				
	Carrying amount	**Less than 1 year**	**1-3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities [1)]	$ 16,835	$ 16,835	$ —	$ —	$ —	$ 16,835
Long-term portion of royalty payment obligations	107	—	51	51	229	331
Lease liabilities	33,452	7,434	13,957	13,328	30,725	65,444
Long-term portion of other employee benefit liabilities	206	—	206	—	—	206
Long-term debt [2)]	40,532	3,945	10,649	40,353	—	54,947
Purchase obligations and commitments	n/a	11,762	8,990	8,441	16,114	45,307
	$ 91,132	$ 39,976	$ 33,853	$ 53,732	$ 30,954	$ 183,070

[1)] Short term portions of the royalty payment obligations and of other employee benefit liabilities are included in the account payable and accrued liabilities.
[2)] Under the terms of the consolidated loan agreement (see "restructuring transactions"), SALP may decide to cancel a portion of the principal value of the loans as payment upon the exercise of their 168,735 warrants #10 and 3,947,367 November 2020 warrants. The maximum repayment due on the loan has been included in the above table.

Royalties

SALP has a right to receive a 2% royalty on future revenues relating to patents of a specified small molecule product candidate and analogues, existing as of the date of the agreement was signed. The obligation under this royalty agreement is secured by all of our assets until the expiry of the last patent anticipated in 2033.

In the normal course of business, we enter into license agreements for the market launching or commercialization of product candidates, if approved. Under these licenses, including the ones mentioned above, we have committed to pay royalties ranging generally between 0.5% and 12.0% of net sales from products we may commercialize, if approved, and 3% of license revenues in regard to certain small molecule product candidates.

Commitments

We signed a long-term manufacturing contract with the CDMO which provides us with additional manufacturing capacity. In connection with this contract, we have committed to a minimum annual spending of $9.0 million for 2021 to 2030 (the end of the initial term) which includes all expenditures under the contract. As of December 31, 2020, the remaining payments under the CDMO contract was $83.7 million or $38.2 million after deduction of the minimum lease payments under the contract which are recognized in the consolidated financial statements as a lease liability following the adoption of IFRS 16.

At December 31, 2020, total commitment remaining under the agreement with the CDMO that is not recognized in the lease liability is included in the tabular disclosure of contractual obligations presented above under "purchase obligations and commitments".

Safe Harbor

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements."

Quantitative and Qualitative Disclosures about Market Risk

We have exposure to credit risk, liquidity risk and market risk. Our Board of Directors has the overall responsibility for the oversight of these risks and reviews our policies on an ongoing basis to ensure that these risks are appropriately managed.

i) Credit risk:

Credit risk is the risk of financial loss to our company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, investments, receivables and share purchase loan to a former officer. The carrying amount of the financial assets represents the maximum credit exposure.

We mitigate credit risk through its reviews of new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. We evaluate at each reporting period, the lifetime expected credit losses on our accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience.

In 2017, we recorded bad debt expense of $20.5 million in regard to the JRP license agreement during the fourth quarter and the year ended December 31, 2017. In 2018 and 2019, there was no bad debt expense.

ii) Liquidity risk:

Liquidity risk is the risk that we will not be able to meet financial obligations as they come due. We manage our liquidity risk by continuously monitoring forecasts and actual cash flows. Our current liquidity situation is discussed in the liquidity and contractual obligation section of this MD&A.

iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect our income or the value of its financial instruments.

a) Interest risk:

Our interest-bearing financial liabilities have fixed rates and as such there is limited exposure to changes in interest payments as a result of interest rate risk.

b) Foreign exchange risk:

We are exposed to the financial risk related to the fluctuation of foreign exchange rates. We operate in the U.S. and the U.K., and previously had operations in the Isle of Man (discontinued operations) and a portion of our expenses incurred are in U.S. dollars and in pounds sterling (£). Historically, the majority of our revenues have been in U.S. dollars and in £, continuing operations revenues are in U.S. dollars, which serve to mitigate a portion of the foreign exchange risk relating to the expenditures. Financial instruments that have exposed us to foreign exchange risk have been cash and cash equivalents, short-term investments, receivables, trade and other payables, lease liabilities, licence payment obligations and the amounts drawn on the credit facility. We manage foreign exchange risk by holding foreign currencies we received to support forecasted cash outflows in foreign currencies.

Risk factors

For a detailed discussion of risk factors which could impact the our results of operations and financial position, other than those risks pertaining to the financial instruments, please refer to our Annual report on form 20-F filed on www.sedar.com or our 20-F filed on www.sec.gov/edgar.

Disclosure controls and procedures and internal controls over financial reporting

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2020, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Internal control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our internal control over financial reporting. Under the supervision and with the participation of our chief executive officer (principal executive officer) and deputy chief executive officer (principal financial officer), management assessed our internal control over financial reporting based upon the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Change in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and the Shareholders of Liminal BioSciences Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Liminal BioSciences Inc. and its subsidiaries (together, the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net deficit, which together raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP[1]

Montréal, Quebec, Canada
March 24, 2021

We have served as the Company's auditor since 2019.

[1] CPA auditor, CA, public accountancy permit No. A123642

LIMINAL BIOSCIENCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of Canadian dollars)

At December 31		**2020**		2019
ASSETS (note 16)				
Current assets				
Cash and cash equivalents	**$**	**45,075**	$	61,285
Accounts receivable and others (note 7)		**4,081**		4,086
Income tax receivable		**—**		9,214
Inventories (note 8)		**9,377**		7,532
Prepaids		**14,486**		12,733
Total current assets		**73,019**		94,850
Other long-term assets (note 9)		**1,353**		1,170
Capital assets (note 10)		**18,791**		21,471
Right-of-use assets (note 11)		**8,557**		33,254
Intangible assets (note 12)		**15,492**		13,846
Deferred tax assets (note 26)		**572**		507
Total assets	**$**	**117,784**	$	165,098
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 13)	**$**	**16,835**	$	22,808
Current portion of lease liabilities (note 14)		**6,946**		8,290
Current portion of long-term debt (note 16)		**—**		165
Total current liabilities		**23,781**		31,263
Long-term portion of lease liabilities (note 14)		**26,506**		29,947
Long-term warrant liability (note 15)		**11,640**		**—**
Long-term debt (note 16)		**40,532**		8,669
Other long-term liabilities (note 17)		**313**		285
Total liabilities	**$**	**102,772**	$	70,164
EQUITY				
Share capital (note 18a)	**$**	**977,261**	$	932,951
Contributed surplus (note 18b)		**39,877**		43,532
Warrants (note 18c)		**95,856**		95,856
Accumulated other comprehensive loss		**(2,846)**		(3,099)
Deficit		**(1,087,049)**		(967,051)
Equity attributable to owners of the parent		**23,099**		102,189
Non-controlling interests (note 19)		**(8,087)**		(7,255)
Total equity		**15,012**		94,934
Total liabilities and equity	**$**	**117,784**	$	165,098

Going concern (note 1), Commitments (note 31), Subsequent event (note 33)
The accompanying notes are an integral part of the consolidated financial statements.

LIMINAL BIOSCIENCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of Canadian dollars except for per share amounts)

Years ended December 31		**2020**		2019		2018
Revenues (note 21)	**$**	**3,317**	$	4,904	$	24,633
Expenses						
Cost of sales and other production expenses (note 8)		**2,033**		2,763		25,707
Research and development expenses (note 22a)		**56,826**		75,114		84,858
Administration, selling and marketing expenses (note 22a)		**38,552**		45,283		29,448
Loss (gain) on foreign exchange		**(668)**		(1,451)		4,696
Finance costs (note 22b)		**8,982**		14,056		22,041
Loss (gain) on extinguishments of liabilities (notes 16, 18a)		**(79)**		92,374		(33,626)
Change in fair value of financial instruments measured at fair value through profit or loss (note 15)		**(850)**		(1,140)		1,000
Impairment losses (note 24)		**20,859**		12,366		149,952
Share of losses of an associate (note 25)		**—**		—		22
Net loss from continuing operations before taxes	**$**	**(122,338)**	$	(234,461)	$	(259,465)
Current	**$**	**(136)**	$	(348)	$	(5,822)
Deferred		**(65)**		111		(13,815)
Income tax recovery on continuing operations (note 26)		**(201)**		(237)		(19,637)
Net loss from continuing operations	**$**	**(122,137)**	$	(234,224)	$	(239,828)
Discontinued operations, net of taxes						
Gain on sale of subsidiaries (note 6)		**3,380**		26,346		—
Net income from discontinued operations (note 6)		**—**		1,125		1,932
Net loss	**$**	**(118,757)**	$	(206,753)	$	(237,896)
Net income (loss) attributable to:						
Non-controlling interests - continuing operations (note 19)	**$**	**(832)**	$	(1,044)	$	(42,530)
Owners of the parent						
- Continuing operations		**(121,305)**		(233,180)		(197,298)
- Discontinued operations		**3,380**		27,471		1,932
	$	**(117,925)**	$	(205,709)	$	(195,366)
Net loss	**$**	**(118,757)**	$	(206,753)	$	(237,896)
Income (loss) per share						
Attributable to the owners of the parent basic and diluted (note 27):						
From continuing operations	**$**	**(4.96)**	$	(14.52)	$	(238.28)
From discontinued operations		**0.14**		1.71		2.33
Total loss per share	**$**	**(4.83)**	$	(12.81)	$	(235.95)
Weighted average number of outstanding shares (in thousands) (note 27)		**24,438**		16,062		828

The accompanying notes are an integral part of the consolidated financial statements.

LIMINAL BIOSCIENCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands of Canadian dollars)

Years ended December 31	**2020**	2019	2018
Net Loss	**$ (118,757)**	$ (206,753)	$ (237,896)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translation of foreign operations from continuing operations	**253**	294	(462)
Exchange differences on translation of foreign operations from discontinued operations (note 6)	**—**	(692)	832
Reclassification of exchange differences on translation of foreign operations sold to consolidated statement of operations (note 6)	**—**	(1,449)	—
Total other comprehensive income (loss)	**$ 253**	$ (1,847)	$ 370
Total comprehensive loss	**$ (118,504)**	$ (208,600)	$ (237,526)
Total comprehensive income (loss) attributable to:			
Non-controlling interests	**$ (832)**	$ (1,044)	$ (42,530)
Owners of the parent			
- Continuing operations	**(121,052)**	(232,886)	(197,760)
- Discontinued operations	**3,380**	25,330	2,764
Total comprehensive loss	**$ (118,504)**	$ (208,600)	$ (237,526)

The accompanying notes are an integral part of the consolidated financial statements.

LIMINAL BIOSCIENCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of Canadian dollars)

	Equity (deficiency) attributable to owners of the parent							
	Share capital $	Contributed surplus $	Warrants $	Foreign currency translation reserve $	Deficit $	Total $	Non-controlling interests $	Total equity (deficiency) $
Balance at January 1, 2018	575,150	16,193	73,944	(1,622)	(541,571)	122,094	21,447	143,541
Net loss	-	-	-	-	(195,366)	(195,366)	(42,530)	(237,896)
Foreign currency translation reserve	-	-	-	370	-	370	-	370
Issuance of shares (note 18a)	6,340	-	-	-	-	6,340	-	6,340
Share-based payments expense (note 18b)	-	6,722	-	-	-	6,722	-	6,722
Exercise of stock options (note 18b)	1,073	(438)	-	-	-	635	-	635
Shares issued pursuant to restricted share units plan (note 18b)	554	(554)	-	-	-	-	-	-
Issuance of warrants (note 18c)	-	-	21,352	-	-	21,352	-	21,352
Share and warrant issuance cost	-	-	-	-	(581)	(581)	-	(581)
Effect of changes in the ownership of a subsidiary and funding arrangements on non-controlling interests (note 19)	-	-	-	-	(18,170)	(18,170)	14,541	(3,629)
Balance at December 31, 2018	583,117	21,923	95,296	(1,252)	(755,688)	(56,604)	(6,542)	(63,146)
Net loss	-	-	-	-	(205,709)	(205,709)	(1,044)	(206,753)
Foreign currency translation reserve	-	-	-	(398)	-	(398)	-	(398)
Reclassification of exchange differences on translation of foreign operations to consolidated statement of operations (note 6)	-	-	-	(1,449)	-	(1,449)	-	(1,449)
Issuance of shares (note 18a)	349,834	-	-	-	-	349,834	-	349,834
Share-based payments expense (note 18b)	-	22,030	-	-	-	22,030	-	22,030
Share-based compensation paid in cash (note 18b)	-	(421)	-	-	-	(421)	-	(421)
Issuance of warrants (note 18c)	-	-	560	-	-	560	-	560
Share issuance cost (note 18a)	-	-	-	-	(5,323)	(5,323)	-	(5,323)
Effect of funding arrangements on non-controlling interests (note 19)	-	-	-	-	(331)	(331)	331	-
Balance at December 31, 2019	**932,951**	**43,532**	**95,856**	**(3,099)**	**(967,051)**	**102,189**	**(7,255)**	**94,934**
Net loss	**-**	**-**	**-**	**-**	**(117,925)**	**(117,925)**	**(832)**	**(118,757)**
Foreign currency translation reserve	**-**	**-**	**-**	**253**	**-**	**253**	**-**	**253**
Issuance of shares (note 18a)	**31,755**	**-**	**-**	**-**	**-**	**31,755**	**-**	**31,755**
Share-based payments expense (note 18b)	**-**	**6,234**	**-**	**-**	**-**	**6,234**	**-**	**6,234**
Exercise of stock options (note 18b)	**167**	**(85)**	**-**	**-**	**-**	**82**	**-**	**82**
Shares issued pursuant to restricted share units plan (note 18b)	**9,764**	**(9,764)**	**-**	**-**	**-**	**-**		**-**
Share-based compensation paid in cash (note 18b)	**-**	**(40)**	**-**	**-**	**-**	**(40)**	**-**	**(40)**
Issuance of warrants (note 18c)			**2,623**			**2,623**		**2,623**
Exercise of warrants (note 18c)	**2,624**	**-**	**(2,623)**	**-**	**-**	**1**	**-**	**1**
Share issuance cost (note 18a)	**-**	**-**	**-**	**-**	**(2,073)**	**(2,073)**	**-**	**(2,073)**
Balance at December 31, 2020	**977,261**	**39,877**	**95,856**	**(2,846)**	**(1,087,049)**	**23,099**	**(8,087)**	**15,012**

The accompanying notes are an integral part of the consolidated financial statements

LIMINAL BIOSCIENCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)

Years ended December 31	2020	2019	2018
Cash flows used in operating activities			
Net loss from continuing operations for the year	**$ (122,137)**	$ (234,224)	$ (239,828)
Net income from discontinued operations for the year	**3,380**	27,471	1,932
Adjustments to reconcile net loss to cash flows used in operating activities:			
Finance costs and foreign exchange	**8,307**	12,809	25,282
Change in operating and finance lease inducements and obligations	**—**	**—**	2,565
Loss (gain) from disposition of capital and intangible assets	**(15)**	196	513
Share of losses of an associate	**—**	**—**	22
Non-cash issuance of warrants (note 15)	**2,228**	**—**	**—**
Gain on sale of subsidiaries (note 6)	**(3,380)**	(26,346)	**—**
Change in fair value of financial instruments measured at fair value through profit or loss (note 15)	**(850)**	(1,140)	1,000
Impairment losses (note 24)	**20,859**	12,366	149,952
Loss (gain) on extinguishments of liabilities (notes 16, 18a)	**(79)**	92,374	(33,626)
Deferred income taxes (note 26)	**—**	87	(13,815)
Share-based payments expense (note 18b)	**6,194**	21,609	6,722
Depreciation of capital assets (note 10)	**2,779**	3,734	4,086
Depreciation of right-of-use assets (note 11)	**4,578**	4,913	**—**
Amortization of intangible assets (note 12)	**1,090**	1,259	1,372
	(77,046)	(84,892)	(93,823)
Change in non-cash working capital items	**1,129**	(14,498)	11,369
	$ (75,917)	$ (99,390)	$ (82,454)
Cash flows from financing activities			
Proceeds from share issuances (with or without warrants) (note 18a)	**39,960**	118,785	751
Proceeds from long-term debt (with or without warrants) (notes 16, 18c)	**31,533**	19,859	79,105
Repayment of principal on long-term debt (note 16)	**(165)**	(988)	(3,184)
Repayment of interest on long-term debt (note 16)	**(1,879)**	(3,540)	(3,934)
Exercise of options (note 18b)	**82**	**—**	635
Proceeds from exercise of pre-funded warrants (note 18c)	**1**	**—**	**—**
Payments of principal on lease liabilities (note 14)	**(7,069)**	(7,563)	**—**
Payment of interest on lease liabilities (note 14)	**(2,098)**	(1,767)	**—**
Debt, share and warrants issuance costs	**(2,960)**	(6,867)	(970)
Payments of principal under finance leases	**—**	**—**	(245)
	$ 57,405	$ 117,919	$ 72,158
Cash flows used in investing activities			
Additions to capital assets	**(966)**	(2,741)	(3,786)
Additions to intangible assets	**(1,080)**	(1,703)	(1,342)
Proceeds from sale of discontinued operations business, net of cash divested	**4,555**	43,958	**—**
Transaction costs paid relating to the sale of discontinued operations business	**(787)**	(4,228)	**—**
Proceeds from disposal of capital assets	**133**	**—**	**—**
Acquisition of convertible debt	**—**	**—**	(955)
Release of restricted cash	**—**	65	**—**
Interest received	**450**	745	224
	$ 2,305	$ 36,096	$ (5,859)
Net change in cash and cash equivalents during the year	**(16,207)**	54,625	(16,155)
Net effect of currency exchange rate on cash and cash equivalents	**(3)**	(729)	378
Cash and cash equivalents, beginning of year	**61,285**	7,389	23,166
Cash and cash equivalents, end of year	**$ 45,075**	$ 61,285	$ 7,389
Comprising of:			
Cash	**45,075**	41,761	7,389
Cash equivalents	**—**	19,524	**—**
	$ 45,075	$ 61,285	$ 7,389

Cash flows from discontinued operations presented in note 6

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations and going concern

Liminal BioSciences Inc. or Liminal, or the Company, is incorporated under the Canada Business Corporations Act and is a publicly traded clinical stage biotechnology company (Nasdaq symbol: LMNL) focused on discovering and developing novel small molecule drug candidates for the treatment of patients suffering from respiratory fibrotic diseases and other fibrotic or inflammatory diseases that have high unmet medical need. Liminal has a deep understanding of certain biological targets and pathways that have been implicated in the fibrotic process, including fatty acid receptors 1, or FFAR1 also known as G-protein-coupled receptor 40, or GPR40, a related receptor G-protein-coupled receptor 84, or GPR84, and peroxisome proliferator-activated receptors, or PPARs.

Liminal's lead small molecule segment product candidate, fezagepras or PBI 4050, is being developed for the treatment of idiopathic pulmonary fibrosis, or IPF. The plasma-derived therapeutics segment leverages Liminal's experience in bioseparation technologies used to isolate and purify biopharmaceuticals from human plasma. With respect to this second platform, the Company is focused on the development of its plasma-derived product candidate Ryplazim® (plasminogen) or Ryplazim®, a highly purified glu-plasminogen derived from human plasma that acts as a plasminogen replacement therapy for patients deficient in plasminogen protein.

The Company's head office is located at 440, Boul. Armand-Frappier, suite 300, Laval, Québec, Canada, H7V 4B4. Liminal has Research and Development facilities in Canada, the U.K. and the U.S. and manufacturing facilities in Canada.

On July 5, 2019, the Company performed a one thousand-to-one share consolidation of its common shares, stock options, restricted share units and warrants. The quantities and per unit prices presented in these audited annual consolidated financial statements have been retroactively adjusted to give effect to the share consolidation.

On October 7, 2019, the Company formerly named Prometic Life Sciences Inc. changed its name to Liminal BioSciences Inc. and the Company's TSX stock symbol changed from PLI to LMNL. On November 12, 2019 the Company listed on the Nasdaq exchange with the Nasdaq symbol LMNL and effective August 5, 2020, the Company voluntarily delisted from the TSX.

On November 25, 2019 the Company sold the majority of its bioseparations business to a third party. These activities are presented as discontinued operations in the annual consolidated financial statements. Details on this transaction and the results from discontinued operations are disclosed in note 6. The prior period results from discontinued operations have been reclassified and presented in the consolidated statements of operations.

Structured Alpha LP ("SALP") has been Liminal's majority and controlling shareholder since the debt restructuring on April 23, 2019 (note 16) and is considered Liminal's parent entity for accounting purposes. Thomvest Asset Management Ltd. is the general partner of SALP and the ultimate controlling parent, for accounting purposes, of Liminal is The 2003 TIL Settlement. Prior to this date, Liminal did not have a controlling parent.

The consolidated financial statements for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS, on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

During the year ended December 31, 2020, the Company incurred a net loss of $118.8 million ($206.8 million for the year ended December 31, 2019 which included a loss on extinguishment of liabilities of $92.4 million) and had negative operating cash flows of $75.9 million ($99.4 million for the year ended December 31, 2019).

In addition, at December 31, 2020, the Company had a working capital of $49.2 million ($63.6 million at December 31, 2019) and an accumulated deficit of $1,087.0 million ($967.1 million at December 31, 2019). Given Liminal's main activities continue to be in the R&D stage, management has concluded it will need additional sources of financing to ensure it has sufficient funds to continue its operations for at least the next twelve months.

Until the Company completes a significant financing, it continues operating at a low spending level, pacing investments on new research programs, and reducing infrastructure cost, where possible. The need to complete multiple financing transactions is likely to continue until the Company can generate sufficient product revenues to finance its cash requirements. Meanwhile, management may revert to a variety of sources for financing future cash needs including public or private equity offerings, debt financings, strategic collaborations, business and asset divestitures and grant funding amongst others. Despite the Company's efforts to obtain the necessary funding and improve profitability of its operations, there can be no assurance of its success in doing so, especially with respect to its access to further funding on acceptable terms, if at all.

These circumstances indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. If the Company is unable to secure additional capital, it may be required to curtail its research and development initiatives and take additional measures to reduce costs in order to conserve its cash in amounts sufficient to sustain operations and meet its obligations. These measures could cause significant delays in the Company's preclinical, clinical and regulatory efforts, which are critical to the realization of its business plan. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS and were approved by the Board of Directors on March 23, 2021.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the warrant liability which has been measured at fair value. Certain assets may be carried at their net realizable value or at their recoverable amount if they have been subject to impairment.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

(In thousands of Canadian dollars, except for per share amounts)

Basis of consolidation

The consolidated financial statements include the accounts of Liminal BioSciences Inc., and those of its subsidiaries. The Company's subsidiaries at December 31, 2020, 2019 and 2018 are as follows:

Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by group		
			2020	2019	2018
Fairhaven Pharmaceuticals Inc.	Small molecule therapeutics	Quebec, Canada	**100%**	nil	nil
Liminal R&D BioSciences Inc.	Small molecule therapeutics	Quebec, Canada	**100%**	100%	100%
Liminal BioSciences Holdings Limited	Small molecule therapeutics	Cambridge, United Kingdom	**100%**	100%	100%
Liminal BioSciences Limited	Small molecule therapeutics	Cambridge, United Kingdom	**100%**	100%	100%
Prometic Pharma SMT B.V	Small molecule therapeutics	Amsterdam, Netherlands	**100%**	100%	N/A
Prometic Bioproduction Inc.	Plasma-derived therapeutics	Quebec, Canada	**100%**	100%	100%
Prometic Plasma Resources Inc.	Plasma-derived therapeutics	Winnipeg, Canada	**100%**	100%	100%
Telesta Therapeutics Inc.	Plasma-derived therapeutics	Quebec, Canada	**100%**	100%	100%
NantPro Biosciences, LLC	Plasma-derived therapeutics	Delaware, U.S.	**73%**	73%	73%
Prometic Biotherapeutics Inc.	Plasma-derived therapeutics	Delaware, U.S.	**100%**	100%	100%
Prometic Plasma Resources USA Inc.	Plasma-derived therapeutics	Delaware, U.S.	**100%**	100%	100%
Prometic Biotherapeutics Ltd	Plasma-derived therapeutics	Cambridge, United Kingdom	**100%**	100%	100%
Prometic Biotherapeutics B.V.	Plasma-derived therapeutics	Amsterdam, Netherlands	**100%**	100%	N/A
Pathogen Removal and Diagnostic Technologies Inc.	Corporate	Delaware, U.S.	**77%**	77%	77%
Prometic Bioseparations Ltd	Discontinued operations	Isle of Man, British Isles	**nil**	nil	100%
Prometic Manufacturing Inc.	Discontinued operations	Quebec, Canada	**nil**	nil	100%

The Company consolidates investees when, based on the evaluation of the substance of the relationship with the Company, it concludes that it controls the investees. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

When a subsidiary is not wholly-owned the Company recognizes the non-controlling interests' share of the net assets and results of operations in the subsidiary. When the proportion of the equity held by non-controlling interests' changes without resulting in a change of control, the carrying amount of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. In these situations, the Company recognizes directly in equity the effect of the change in ownership of a subsidiary on the non-controlling interests. Similarly, after recognizing its share of the operating losses, the non-controlling interest is adjusted for its share of the equity contribution made by Liminal that does not modify the interest held by either party. The offset to this adjustment is recorded in the deficit. The effect of these transactions is presented in the consolidated statement of changes in equity.

Financial instruments

Recognition and derecognition

Financial instruments are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of financial instruments. Financial assets are subsequently derecognized when payment is received in cash or other financial assets or if the debtor is discharged of its liability.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition

of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Classification

Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified. Financial instruments are measured at amortized cost unless they are classified as fair value through other comprehensive income, or FVOCI, classified as FVPL or designated as FVPL, in which case they are subsequently measured at fair value.

The classification of financial asset debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVPL. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVPL.

Currently, the Company classifies cash, cash equivalents, trade receivables, other receivables, restricted cash, and long-term deposits as financial assets measured at amortized cost and trade payables, wages and benefits payable, royalty payment obligations, license acquisition payment obligations, other employee benefit liabilities and long-term debt as financial liabilities measured at amortized cost.

The Company classifies the warrant liability as a financial liability at FVPL for which the variation in fair value is recorded in consolidated statement of operations. The Company previously held an investment in convertible debt that it classified as financial assets at FVPL in the year ended December 31, 2018.

Impairment of financial assets

The expected credit losses associated with its debt instruments carried at amortized cost is assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

Cash equivalents

Cash and cash equivalents comprise deposits in banks and highly liquid investments having an original maturity of 90 days or less when issued.

Inventories

Inventories of raw materials and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. The cost of manufactured inventories comprises all costs that are directly attributable to the manufacturing process, such as raw materials, direct labour and manufacturing overhead based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business and the estimated selling costs except for raw materials for which it is determined using replacement cost.

Capital assets

Capital assets are recorded at cost less any government assistance, accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as described below.

Capital asset	Period
Buildings and improvements	20 years
Leasehold improvements	The lower of the lease term and the useful life
Production and laboratory equipment	5 - 20 years
Furniture	5 - 10 years
Computer equipment	3 - 5 years

The estimated useful lives, residual values and depreciation methods are reviewed annually with the effect of any changes in estimates accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of a capital asset is determined as the difference between the sales proceeds and its carrying amount and is recognized in profit or loss.

Government assistance

Government assistance programs, including investment tax credits on research and development expenses and salary and rent subsidies are reflected as reductions to the cost of the assets or to the expenses to which they relate and are recognized when there is reasonable assurance that the assistance will be received and all attached conditions are complied with.

Right-of-use assets

The Company recognizes a right-of-use, or ROU, asset at the commencement date of a lease which is when the date at which the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Intangible assets

Intangible assets include acquired rights such as licenses for product manufacturing and commercialization, donor lists, external patent costs and software costs. They are carried at cost less accumulated amortization. Amortization commences when the intangible asset is available for use and is calculated over the estimated useful lives of the intangible assets acquired using the straight-line method. The maximum period used for each category of intangible asset are presented in the table below. The estimated useful lives and amortization method are reviewed annually, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense is recognized in the consolidated statement of operations in the expense category consistent with the function of the intangible assets.

Intangible asset	Period
Licenses and other rights	30 years
Donor lists	10 years
Patents	20 years
Software	5 years

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its capital, ROU and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If impairment indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. For intangible assets not yet available for use, an impairment test is performed annually at November 30, until amortization commences, whether or not there are impairment indicators. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, or CGU, which represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, groups of assets or CGUs to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount by the amount of this excess. An impairment loss is recognized immediately in profit or loss in the period during which the loss is incurred. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount; on reversal of an impairment loss, the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Investment in an associate

Investments in associates are accounted for using the equity method. An associate is an entity over which the Company has significant influence. Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate.

The consolidated statement of operations reflects the Company's share of the results of operations of the associate.

At each balance sheet date, management considers whether there is objective evidence of impairment in associates. If there is such evidence, management determines the amount of impairment to record, if any, in relation to the associate.

When the level of influence over an associate changes either following a loss of significant influence over the associate, or the obtaining of control over the associate or when an investment in a financial asset accounted for under IFRS 9 becomes subject to significant influence, the Company measures and recognizes its investment at its fair value. Any difference between the carrying amount of the associate at the time of the change in influence and the fair value of the investment, and proceeds from disposal if any, is recognized in profit or loss.

Lease liabilities

At the commencement date of a lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the

exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of a lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of a lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment whether the underlying asset will be purchased.

The Company applies the short-term lease recognition exemption to leases of 12 months or less, as well as the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Revenue recognition

To determine revenue recognition for contracts with customers, Liminal performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The five-step model is only applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer. At contract inception, the Company assesses the goods or services promised within each contract, determines those that are performance obligations, and assesses whether each promised good or service is distinct. The transaction price that is allocated to the respective performance obligation is recognized as revenue when (or as) the performance obligation is satisfied.

Sale of goods

Revenue from sale of goods is recognized when the terms of a contract with a customer have been satisfied. This occurs when:

- The control over the product has been transferred to the customer; and
- The product is received by the customer or transfer of title to the customer occurs upon shipment.

Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. Revenue is recognized based on the price specified in the contract, net of estimated sales discounts and returns.

Rendering of services

Revenues from contracted services are generally recognized as the performance obligations are satisfied over time, and the related expenditures are incurred pursuant to the terms of the agreement. Contract revenue is recognized on a percentage of completion basis based on key milestones contained within the contract.

Licensing fees and milestone payments

The Company determines whether the Company's promise to grant a license provides its customer with either a right to access the Company’s intellectual property ("IP") or a right to use the Company’s IP. A license will provide a right to access the intellectual property if there is significant development of the intellectual property expected in the future whereas for a right to use, the intellectual property is to be used in the condition it is at the time the license is signed. Revenue from a license that provides a customer the right to use the Company’s IP is recognized at a point in time when the transfers to the licensee is completed and the license period begins. When a license provides access to the Company's IP over a license term, the performance obligation is satisfied

over time and, therefore, revenue is recognized over the term of the license arrangement. Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period.

Royalty revenue

Royalty revenues are recognized once the sale of products to which the royalties gives rise occurs.

Rental revenue

The Company accounts for the lease or sub-lease with its tenant as an operating lease when the Company has not transferred substantially all of the risks and benefits of ownership of its property or leased property. Revenue recognition under an operating lease commences when the tenant has a right to use the leased asset, and the total amount of contractual rent to be received from the operating lease is recognized on a straight-line basis over the term of the lease. Rental revenue also includes recoveries of operating expenses and property taxes.

Research and development expenses

Expenditure on research activities is recognized as an expense in the period during which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditures attributable to the intangible asset during its development.

To date, the Company has not capitalized any development costs.

Research and development expenses presented in the consolidated statement of operations comprise the costs to manufacture the plasma-derived product candidates used in pre-clinical tests and clinical trials. It also includes the cost of product candidates used in our small molecule clinical trials such as PBI-4050, external consultants supporting the clinical trials and pre-clinical tests, employee compensation and other operating expenses involved in research and development activities.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the consolidated statement of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates when the initial transactions took place.

Group companies

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of operations are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive loss. On disposal of a foreign operation, the component of other comprehensive loss relating to that particular foreign operation is reclassified from the consolidated statement of comprehensive loss to the consolidated statement of operations as part of the gain or loss on the disposal of the foreign operation.

Income taxes

The Company uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized in the consolidated statement of financial position for the future tax consequences attributable to differences between the consolidated financial statements carrying values of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using income tax rates expected to apply when the assets are realized or the liabilities are settled. The effect of a change in income tax rates is recognized in the year during which these rates change. Deferred income tax assets are recognized to the extent that it is probable that future tax profits will allow the deferred tax assets to be recovered. When uncertainties exist over income tax treatments, the Company applies the guidance in IFRIC 23, Uncertainty over income tax treatments when evaluating its income tax provisions.

Share-based payments

The Company has a stock option plan and a restricted share unit plan. The fair value of stock options granted is determined at the grant date using the Black-Scholes option pricing model and is expensed over the vesting period of the options. Awards with graded vesting are considered to be multiple awards for fair value measurement. The fair value of Restricted Share Units, or RSU, is determined using the market value of the Company's shares on the grant date. The expense associated with RSU awards that vest over time are recognized over the vesting period. When the vesting of RSU is dependent on meeting performance targets as well as a service requirement, the Company will estimate the outcome of the performance targets to determine the expense to recognize over the vesting period, and revise those estimates until the final outcome is determined. An estimate of the number of awards that are expected to be forfeited is also made at the time of grant and revised periodically if actual forfeitures differ from those estimates.

The Company's policy is to issue new shares upon the exercise of stock options and the release of RSU for which conditions have been met.

Assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense. Such assets are only presented as held for sale when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Capital assets included as part of the assets held for sale are not depreciated once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

The results of discontinued operations are presented net of tax in the consolidated statement of operations. Incremental cost related to the disposition and income taxes are allocated to discontinued operations. The discontinued operations also include the gain or loss on the disposal, which will also include the reclassification of historical exchange differences on translation of foreign operations sold. The results of discontinued operations exclude the allocation of the corporate finance costs and general corporate overheads in the forms of management fees if those costs will continue to be incurred by Liminal following the disposition. The prior period results from discontinued operations have been reclassified and presented in the consolidated statements of operations.

Earnings per share (EPS)

The Company presents basic and diluted earnings per share, or EPS, data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year adjusted for any bonus element. Diluted EPS is determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise warrants, stock options, RSU and common shares that would be issued upon the conversion of the secured convertible debentures into shares.

Share and warrant issue expenses

The Company records share and warrant issue expenses as an increase to the deficit.

3. Significant accounting judgements and estimation uncertainty

The preparation of these consolidated financial statements requires the use of judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. The uncertainty that is often inherent in estimates and assumptions could result in material adjustments to assets or liabilities affected in future periods.

Significant judgments

Going concern - In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future. Management has considered a wide range of factors relating to expected cash inflows such as the forecasted product sales, whether the Company will earn other significant revenues, obtain regulatory approval for commercialization of its product candidate Ryplazim® and the potential sources of debt and equity financing available to it. Management has also estimated expected cash outflows such as operating and capital expenditures and debt repayment schedules, including the ability to delay uncommitted expenditures. These cash flow estimates are subject to uncertainty.

Accounting for loan modifications – When the terms of a loan are modified, management must evaluate whether the terms of the loan are substantially different in order to determine the accounting treatment. If they are considered to be substantially different, the modification will be accounted for as a derecognition of the carrying value of the pre-modified loan and the recognition of a new loan at its fair value. Otherwise, the changes will be treated as a modification which will result in adjusting the carrying amount to the present value of the modified cash flows using the original effective interest rate of the loan instrument. In assessing whether the terms of a loan are substantially different, management performs a quantitative analysis of the changes in the cash flows under the previous agreement and the new agreement and also considers other modifications that have no cash flow impact. In the context of the simultaneous modification to the terms of several loans with the same lender, management uses judgment to determine if the cash flow analysis should be performed on the

loans in aggregate or individually. Judgment is also used to evaluate the relative importance of additional rights given to the lender such as additional Board of Director seats and the extension of the term of the security compared to the quantitative analysis.

Functional currency – The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. During the year ended December 31, 2020, the functional currency of the Pathogen Removal and Diagnostic Technologies Inc., or PRDT, subsidiary changed from £ to USD. In 2019 and 2018 no changes in functional currency of the subsidiaries were deemed necessary. This assessment is also performed for new subsidiaries. When assessing the functional currency of a foreign subsidiary, management's judgment is applied in order to determine, amongst other things, the primary economic environment in which an entity operates, the currency in which the activities are funded and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of the parent Company's net investment in the foreign subsidiary. Considering such loans as part of the net investment in the foreign subsidiary results in foreign currency translation gains or losses from the translation of these loans being recorded in other comprehensive loss instead of the consolidated statement of operations.

Share-based compensation - On March 23, 2020, the board of directors of the Company approved a plan to seek shareholder approval to modify the exercise price of certain stock options as disclosed in note 18b. In order to determine when the expense related to this modification is recognized in the consolidated statement of operations, management evaluated the timing of notification to option holders, the timing and method of determining the exercise price and the service period. Management further considered whether the holders of the stock options had sufficient understanding of the terms and conditions of the potentially revised awards, the degree of certainty of the approval for the repricing and whether the service period for earning the rights to the awards had commenced. Management concluded that the definition of the grant date was not met but that the service period had commenced and therefore a preliminary calculation of the incremental fair value of the repricing of the awards was performed using assumptions as of March 31, 2020. On May 26, 2020, the conditions for a grant date were met and the options exercise price was revised to $15.21 and a final calculation to determine the incremental fair value of the repriced options was performed.

Estimates and assumptions

COVID-19 – The negative impact of the COVID-19 pandemic on the financial statements for year ended December 31, 2020 has been limited, however the Company is eligible for salary and rent subsidy programs from the Government of Canada under which it submitted claims (note 22). The subsidy programs may provide further financial support while the programs are available. Consistent within the global biopharmaceutical sector, some clinical programs may have been and may be impacted by the shift of resources within hospitals to COVID-19 and related matters, resulting in potential delays to recruitment or site initiation on our clinical and preclinical programs, and potentially causing an adjustment of certain development timelines and activities. The partial disruption caused by COVID-19 may continue to impact the Company's operations, workforce and overall business by delaying the progress of our research and development programs, regulatory submissions and reviews, regulatory inspections, production and plasma collection activities and business and corporate development activities. There is uncertainty as to the duration of the COVID-19 pandemic and related government restrictions, including travel bans, the impact on our workforce, and the availability of donors, healthy subjects and patients for the conduct of clinical trials, and the effects of the COVID-19 pandemic, including on the global economy, continue to be fluid.

Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require it to update its estimates, assumptions and judgments or revise the carrying value of its assets or liabilities, and the Company is unable to estimate the potential impact on its future business or our financial results as of the date of this filing. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known.

Fair value of financial instruments – The individual fair values attributed to the different components of a financing transaction, are determined using valuation techniques. Management uses judgment to select the methods used to determine certain inputs/assumptions used in the models and the models used to perform the fair value calculations in order to determine, 1) the values attributed to each component of a transaction at the time of their issuance, 2) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis and 3) the fair value of financial instruments subsequently carried at amortized cost. When the determination of the fair value of a new loan is required, discounted cash flow techniques which includes inputs that are not based on observable market data and inputs that are derived from observable market data are used. When determining the appropriate discount rates to use, Management seeks comparable interest rates where available. If unavailable, it uses those considered appropriate for the risk profile of a Company in the industry.

In determining the fair value of the warrants issued in November 2020 (note 16, 18c), presented as a warrant liability in the consolidated statement of financial position, and considered to be a level 3 measurement, the company made assumptions on unobservable inputs used in the valuation model that have an important impact on the resulting fair value computed.

Notably, the Company estimated the timing and the amounts of equity financings it expects to complete before the expiry of those warrants. The fair value computed could be higher if the actual equity financing needs of the company are higher than those expected. The company also estimated the future volatility of the common shares of Liminal for the contractual life of the warrants. To do so, the Company used the historical volatility its own shares and of comparable companies in the same industry as a starting basis for this estimate and also considered whether there are factors that would indicate that the historical volatility is not indicative of the future. In addition, the company applied an illiquidity discount rate on the resulting Black-Shole pricing model to reflect that the November 2020 warrants are not publicly traded instruments and therefore the ability to sell them is limited. In establishing the illiquidity discount rate, the Company considered the remaining life of the warrants and the volatility assumption for the underlying share. The fair value of the warrants could be higher if we had selected a higher volatility assumption and a lower illiquidity discount rate.

The fair value estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Leases - The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that this option will not be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of up to fifteen years. Judgement is applied in evaluating whether it is reasonably certain that the Company will exercise the option to renew. That is, all relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within the Company's control and affects its ability to exercise (or not to exercise) the option to renew.

The renewal period is included as part of the lease term for a manufacturing plant lease since the Company estimated it is reasonably certain to exercise due to the importance of this asset to its operations, the limited availability on the market of a similar asset with similar rental terms and the related cost of moving the production equipment to another facility.

Uncertainty over income tax treatments - R&D tax credits for the current period and prior periods are measured at the amount the Company expects to recover, based on its best estimate and judgment, of the amounts it expects to receive from the tax authorities as at the reporting date, either in the form of income tax refunds or refundable grants. However, there are uncertainties as to the interpretation of the tax legislation and regulations, in particular regarding what constitutes eligible R&D activities and expenditures, as well the amount and timing of recovery of these tax credits. In order to determine whether the expenses it incurs are eligible for R&D tax credits, the Company must use judgment and apply to complex techniques, which makes the recovery of tax credits uncertain. As a result, there may be a significant difference between the estimated timing and amount recognized in the consolidated financial statements in respect of tax credits receivable and the actual amount of tax credits received as a result of the tax administrations' review of matters that were subject to interpretation. The amounts recognized in the consolidated financial statements are based on the best estimates of the Company and in its best possible judgment, as noted above.

Assessing the recoverable amount of long-lived assets - The Company evaluates the recoverable value of long-lived assets when indicators of impairment arise or as part of the annual impairment test, if they are intangible assets not yet available for use. The recoverable value is the higher of the value in use and the fair value less costs of disposal or FVLCD.

Long-lived assets include capital assets, ROU assets and intangible assets such as patents and licenses and other rights. Some of these rights are considered not available for use until regulatory approval to commercialize the product candidate is obtained.

When calculating the net recoverable amounts for the impairments discussed in note 24, management proceeded to make estimates and assumptions regarding the outcome of certain future events, future cash flows and their timing.

When determining the FVLCD, significant estimates made include amongst others, the outcome of the exercise it has undertaken in evaluating the potential alternatives for the Ryplazim® CGU, including the probability of completing a sale or closing those activities; the operating cash outflows to support those operations until one of the alternative strategies is executed; the outcome of the FDA review of the Company's Biological License Application, or BLA for its Ryplazim® product candidate and the timing of completion of this review; if the Company will be able to benefit from the monetization of a Priority Review Voucher, if received, and what would be the amount received upon its monetization; and whether some assets, liabilities and commitments could potentially be excluded from the activities sold and for those commitments that could be retained, the possibility of reducing those commitments and what would be their settlement amount. In addition, when calculating the FVLCD of an asset or a group of assets for which selling price information for comparable assets are not readily available, management also must make assumptions regarding the value it may recuperate from its sale.

A plus or minus 10% change in the probability weighted terminal value would impact the impairment recorded on the Ryplazim® CGU by $ 3,638.

In determining the value in use for the IVIG CGU at December 31, 2018, management made a series of estimates at the time regarding the time period in which the Company could possibly resume the activities of this CGU and for earning revenues from the IVIG product candidate, if approved.

When the recoverable amounts are calculated using a discounted cash flow model, the estimated cash flows are discounted to their net present value using a pre-tax discount rate that includes a risk premium specific to the line of business.

Share-based compensation - The expense recognized for those RSU which the performance conditions have not been met, is based on an estimation of the probability of successful achievement of a number of performance conditions, many of which depend on research, regulatory process and business development outcomes which are difficult to predict, as well as the timing of their achievement. The final expense is only determinable when the outcome is known.

To determine the fair value of stock options on a given date, the Company must determine the assumptions that will be used as inputs to the Black-Scholes option pricing model, including the assumption regarding the future volatility of the common shares of Liminal for the expected life of the stock options. The Company uses the historical volatility as a starting basis for the estimate and also considers whether there are factors that would indicate that the past volatility is not indicative of the future volatility. In making this assessment, management considers changes in Liminal's activities and other factors such as a significant share consolidation. As the volatility is an assumption that has a significant impact on the calculated value of a stock option, the impact of this estimate can significantly impact the share-based payment expense over the vesting period of an award.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering the history of taxable profits, budgets and forecasts and availability of tax strategies.

4. Change in standards, interpretations and accounting policies

a) Adoption of new accounting standards

The accounting policies used in these annual consolidated financial statements are consistent with those applied by the Company in its December 31, 2019 and 2018 audited annual consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Company and were adopted by the Company as of January 1, 2019 and January 1, 2020 as described below.

IFRS 16, *Leases or* IFRS 16

IFRS 16 replaces IAS 17, *Leases*, or IAS 17. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is less than 12 months, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The cumulative effect of initially applying the standard is recognized at the date of initial application. The current and long-term portions of operating and finance lease inducements and obligations presented in the statement of financial position at December 31, 2018, reflect the accounting treatment under IAS 17 and related interpretations.

The Company elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4, *Determining whether an arrangement contains a lease* at the date of initial application. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

(In thousands of Canadian dollars, except for per share amounts)

The Company also elected to record right-of-use assets for leases previously classified as operating leases under IAS 17 based on the corresponding lease liability, adjusted for prepaids or liabilities existing at the date of the transition that relate to the lease. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average discount rate applied to the total lease liabilities recognized on transition was 18.54%. For leases that were previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of adoption was established as the carrying amount of the lease asset classified in capital assets and the finance lease obligation at December 31, 2018. These assets and liabilities are grouped under right-of-use assets and lease liabilities as of January 1, 2019 and IFRS 16 applies to these leases as of that date.

In addition, the Company elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases for which it is not required to recognize a right-of-use asset and a corresponding lease liability. The Company also elected to not apply IFRS 16 when the underlying asset in a lease is of low value.

The Company has elected, for the class of assets related to the lease of building space, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The table below shows which line items of the consolidated financial statements were affected by the adoption of IFRS 16 and the impact. There was no net impact on the deficit.

	As reported as at December 31, 2018	Adjustments for the transition to IFRS 16	Balance as at January 1, 2019
Assets			
Prepaids	$ 1,452	$ (84)	$ 1,368
Capital assets (note 10)	41,113	(1,043)	40,070
Right-of-use assets (note 11)	—	39,149	39,149
Liabilities			
Accounts payable and accrued liabilities (note 13)	$ 31,855	$ (2,499)	$ 29,356
Current portion of lease liabilities (note 14)	—	8,575	8,575
Long-term portion of lease liabilities (note 14)	—	34,126	34,126
Long-term portion of operating and finance lease inducements and obligations	1,850	(1,850)	—
Other long-term liabilities (note 17)	5,695	(330)	5,365

Prior to adopting IFRS 16, the total minimum operating lease commitments as at December 31, 2018 were $74,977. The decrease between the total of the minimum lease payments set out in Note 31 of the audited annual consolidated financial statements for the year ended December 31, 2018 and the total lease liabilities recognized on adoption of $42,701 was principally due to the effect of discounting on the minimum lease payments. The amount also decreased slightly due to the fact that certain costs that are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate, were previously included in the lease commitment table whereas they are not included in the calculation of the lease liabilities. These impacts were partially offset by the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods that had not yet been exercised as at December 31, 2018 which effect is to increase the liability. Right-of-use assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease.

The consolidated statement of operations for the year ended December 31, 2019 and onwards were impacted by the adoption of IFRS 16 as the recording of depreciation of the right-of-use assets continues to be recorded in the same financial statement line items as it was previously while the implicit financing component of leasing agreements is now recorded under finance costs. The impact is not simply in the form of a reclassification but also in terms of measurement, which are very much affected by the discount rates used and whether the Company has included renewal periods when calculating the lease liability.

The consolidated cash flow statement for the year ended December 31, 2019 and onwards were also impacted since the cash flows attributable to the lease component of the lease agreements are now shown as payments of principal and interest on lease liabilities which are now part of cash flows from financing activities.

IFRIC 23, *Uncertainty over income tax treatments or* IFRIC 23

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 – *Income Taxes* are applied where there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019 and was adopted by the Company on that date. The Company assessed the impact of this Interpretation and concluded that it had no impact on the amounts recorded in its consolidated statements of financial position on the date of adoption.

Amendments to *IFRS 3, Business Combinations or IFRS 3*

The amendments to *IFRS 3* clarifies the definition of a business and includes an optional concentration test to determine whether an acquired set of activities and assets is a business. These amendments were adopted on January 1, 2020 and are applied prospectively to acquisitions made on or after this date.

b) New Standards and interpretations not yet adopted

The IFRS accounting standards, amendments, and interpretations that the Company reasonably expects may have a material impact on the disclosures, the financial position or results of operations of the Company when applied at a future date are as follows:

Amendment to *IFRS 16, Leases or* IFRS 16 for COVID-19-Related Rent Concessions - IFRS 16 has been revised to incorporate an amendment issued by the IASB in May 2020. The amendment permits lessees not to assess whether particular COVID-19-related rent concessions are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19-related rent concessions. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and earlier application is permitted. Presently, the Company has not benefited from COVID-19 related rent concessions.

Amendments to *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* or IAS 37 - IAS 37 has been revised to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The cumulative effect of initially applying the amendment, if any, will be recorded as an adjustment to the opening retained earnings and comparative periods will not be restated. Earlier application is permitted.

Amendment to *IFRS 9 Financial Instruments* or IFRS 9 - IFRS 9 has been revised to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and is to be applied to financial liabilities that are modified after the date of adoption. Earlier application is permitted.

(In thousands of Canadian dollars, except for per share amounts)

Amendments to *IAS 1, Presentation of Financial Statements* or IAS 1 - IAS 1 has been revised to clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity. The amendments are applicable retrospectively and is effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

At the present time, the Company does not expect the amendments to IFRS 16, IAS 37, IFRS 9 and IAS 1 will have a significant effect on its financial statements when these amendments are adopted by the Company. This assessment may change as we approach the various dates of adoption as additional amendments may be issued and new transactions occur.

5. Acquisition of Fairhaven Pharmaceuticals Inc.

Pursuant to a share purchase agreement, or SPA, dated July 17, 2020, the Company acquired 100% of the issued and outstanding common shares of Fairhaven Pharmaceuticals Inc., or Fairhaven, a company with a preclinical research program of small molecule antagonists. As consideration for the acquisition, the Company issued 202,308 common shares. Upon achievement of certain pre-determined research and development milestones prior to July 17, 2025, the Company may be obligated to make additional payments in the form of common shares totalling up to $4,374. The number of shares to be issued, if any, upon completion of a milestone, will be calculated using the five-trading day volume weighted average trading price, or VWAP of the Company's common shares on Nasdaq prior to the achievement of such milestone events.

As Fairhaven did not meet the definition of a business under IFRS 3, the acquisition has been accounted for as an asset acquisition, the total cost of the net assets acquired being the fair value of the consideration paid. The shares issued were recorded at a fair value of $3,441, based on the closing price of Liminal's common shares at the date of the transaction. The transaction costs of $308 incurred by the Company were capitalized and allocated to the net assets acquired. Any future milestone payments would be recognized if and when the triggering event occurs.

The consideration paid and the allocation thereof to the net assets acquired was as follows:

Cost of acquisition		
Fair value of common shares issued	$	3,441
Cash payment		50
Total consideration paid	$	3,491
Transaction fees		308
Total cost of acquisition	$	3,799

Net assets acquired		
Current assets	$	217
Licenses and other rights (note 12)		3,796
Current liabilities		(214)
Total net assets acquired	$	3,799

(In thousands of Canadian dollars, except for per share amounts)

6. Discontinued operations

On November 25, 2019, the Company sold two subsidiaries in its bioseparations segment, representing the majority of its bioseparations operations and all of the bioseparations revenues. This transaction was part of the Company's goal to monetize non-core assets to focus resources on the small molecules segment. This disposal has been presented as discontinued operations with the revenues and costs relating to ceased activities being reclassified and presented retrospectively in the consolidated statements of operations, statements of comprehensive loss, statements of cash flows and notes to the financial statements as discontinued operations. The 2019 and 2018 years in the segmented information note were also restated to present the existing segments as of the reporting date.

Gain on the sale of subsidiaries

The details of the gain on sale of subsidiaries during the years ended December 31, 2020 and 2019 is provided in the table bellow:

Year ended December 31		**2020**		2019
Fair value of the consideration received and receivable:	**$**	**3,380**	$	51,927
Less:				
Carrying amount of net assets sold		**—**		(22,015)
Transaction costs		**—**		(5,015)
Add: Reclassification of foreign currency translation reserve from other comprehensive income into the statement of operations		**—**		1,449
Gain on sale of subsidiaries (income tax $nil)	**$**	**3,380**	$	26,346

As of December 31, 2019, the Company had received $50,752 in cash and recorded an amount receivable of $1,175. This amount was received in the beginning of 2020 and then later during the year, an additional amount of 3,380 in proceeds was recorded and received upon resolution of a taxation matter. In the event the operations sold achieve certain yearly performance criteria during the three years following the transaction, the additional cash payments may be received. As of the date of these consolidated financial statements, the aggregate cash consideration that could still be earned until the end of the performance period is $19,129 (£11,000,000). At the time of the sale and as at December 31, 2020 and 2019, the fair value of the contingent consideration was determined to be $nil as its receipt is dependent on future target achievement that is out of the Company's influence and is primarily dependent on the growth of the operations sold.

(In thousands of Canadian dollars, except for per share amounts)

Results and cash flows from discontinued operations

The net income from discontinued operations for the years ended December 31, 2019 and 2018 are presented below:

Year ended December 31	2019	2018
Revenues	$ 22,499	$ 22,741
Expenses		
Cost of sales and other production expenses	11,347	12,295
Research and development expenses	5,926	6,808
Administration, selling and marketing expenses	3,387	2,084
Loss (gain) on foreign exchange	(64)	(15)
Finance costs	737	19
Net income before income taxes	$ 1,166	$ 1,550
Income tax expense (recovery):		
Current	65	(382)
Deferred	(24)	—
Total income tax expense (recovery)	41	(382)
Net income from discontinued operations	$ 1,125	$ 1,932

The cash flows from the discontinued operations and the gain on sale of subsidiaries for the years ended December 31, 2020, 2019 and 2018 are presented in the following table:

Year ended December 31	**2020**	2019	2018
Cash flows from operating activities	**$ —**	$ 6,327	$ 1,379
Cash flows used in financing activities	**—**	(866)	—
Cash flows from (used in) investing activities*	**3,768**	39,690	(1,752)
Cash generated (used) during the year	**$ 3,768**	$ 45,151	$ (373)
Net effect of currency exchange rate on cash	**—**	54	41
Total cash generated (used) by discontinued operations	**$ 3,768**	$ 45,205	$ (332)

*Cash flows from investing activities for the year ended December 31, 2020 include proceeds received from the sales of the discontinued operations business of $4,555, net of the transaction cost paid of $787. Cash flows from investing activities for the period ended December 31, 2019 include the proceeds from the sale of the discontinued operations business (net of the cash disposed) of $43,958 deduction made of the transaction costs paid of $4,228.

(In thousands of Canadian dollars, except for per share amounts)

The carrying amounts of assets and liabilities sold on the date of the transaction are as follows:

Cash	$ 6,794
Accounts receivable	1,148
Inventories	8,313
Prepaids	236
Other long-term assets	48
Capital assets	8,483
Right-of-use assets	3,300
Intangible assets	370
Deferred tax assets	12
Total assets	$ 28,704
Accounts payable and accrued liabilities	2,163
Deferred revenue	370
Current portion of lease liabilities	809
Long-term portion of deferred revenues	87
Long-term portion of lease liabilities	3,260
Total liabilities	$ 6,689
Net assets sold	$ 22,015

7. Accounts receivable and others

	December 31, 2020	December 31, 2019
Trade receivables	**$ 943**	$ 44
Tax credits and government grants receivable	**1,808**	1,546
Sales taxes receivable	**431**	863
Restricted cash	**178**	—
Other receivables	**721**	1,633
	$ 4,081	$ 4,086

Restricted cash is composed of a guaranteed investment certificate, bearing interest at 0.35% per annum (at December 31, 2019, bearing interest at 0.35%), pledged as collateral for a letter of credit to a landlord.

(In thousands of Canadian dollars, except for per share amounts)

8. Inventories

	December 31, 2020	December 31, 2019
Raw materials	**$ 9,138**	$ 7,175
Finished goods	**239**	357
	$ 9,377	$ 7,532

Inventories sold in the amount of $1,102, $2,315 and $23,136 were recognized in cost of sales and other production expenses from continuing operations, and inventories sold in the amount of $nil, $10,126 and $10,295 were included in the results from discontinued operations during the years ended December 31, 2020, 2019 and 2018 respectively. Inventory write-downs included in cost of sales and other production expenses from continuing operations for the year ended December 31, 2018 were $2,028 while inventory write-downs for 2019 and 2020 were insignificant. Inventory write-downs affecting the results from discontinued operations were $nil, $642 and $981 during the years ended December 31, 2020, 2019 and 2018 respectively.

9. Other long-term assets

	December 31, 2020	December 31, 2019
Restricted cash (note 7)	**$ —**	$ 169
Long-term deposits	**137**	143
Tax credits receivable	**1,216**	858
	$ 1,353	$ 1,170

(In thousands of Canadian dollars, except for per share amounts)

10. Capital assets

	Land and Buildings	Leasehold improvements	Production and laboratory equipment	Furniture and computer equipment	Total
Cost					
Balance at December 31, 2018	$ 4,567	$ 16,034	$ 38,885	$ 3,786	$ 63,272
Impact of adopting IFRS 16 [1)]	—	—	(1,170)	—	(1,170)
Balance at January 1, 2019	$ 4,567	$ 16,034	$ 37,715	$ 3,786	$ 62,102
Additions	—	61	712	202	975
Disposals	—	(5)	(109)	(14)	(128)
Sold - discontinued operations (note 6)	—	(7,307)	(5,774)	(744)	(13,825)
Effect of foreign exchange differences	—	(225)	(127)	(7)	(359)
Balance at December 31, 2019	4,567	8,558	32,417	3,223	48,765
Additions	—	214	295	550	1,059
Disposals	—	(1,380)	(2,791)	(404)	(4,575)
Effect of foreign exchange differences	—	(43)	(17)	(4)	(64)
Balance at December 31, 2020	**$ 4,567**	**$ 7,349**	**$ 29,904**	**$ 3,365**	**$ 45,185**
Accumulated depreciation					
Balance at December 31, 2018	$ 414	$ 4,421	$ 15,071	$ 2,253	$ 22,159
Impact of adopting IFRS 16 [1)]	—	—	(127)	—	(127)
Balance at January 1, 2019	$ 414	$ 4,421	$ 14,944	$ 2,253	$ 22,032
Depreciation expense	195	786	2,136	617	3,734
Disposals	—	(2)	(106)	(14)	(122)
Impairments (note 24)	—	559	6,408	103	7,070
Sold - discontinued operations (note 6)	—	(2,297)	(2,550)	(495)	(5,342)
Effect of foreign exchange differences	—	(38)	(36)	(4)	(78)
Balance at December 31, 2019	$ 609	$ 3,429	$ 20,796	$ 2,460	$ 27,294
Depreciation expense	195	710	1,450	424	2,779
Disposals	—	(1,380)	(2,527)	(404)	(4,311)
Impairments (note 24)	—	167	498	—	665
Effect of foreign exchange differences	—	(25)	(9)	1	(33)
Balance at December 31, 2020	**$ 804**	**$ 2,901**	**$ 20,208**	**$ 2,481**	**$ 26,394**
Carrying amounts					
At December 31, 2020	**$ 3,763**	**$ 4,448**	**$ 9,696**	**$ 884**	**$ 18,791**
At December 31, 2019	3,958	5,129	11,621	763	21,471

[1)] The balance of fixed assets capitalized as finance lease assets under IAS 17 was transferred to right-of-use assets upon adoption of IFRS 16 (note 4).

The depreciation expense for the year ended December 31, 2018 was $4,086.

Certain investments in equipment are eligible for government grants. The government grants receivable are recorded in the same period as the eligible additions and are credited against the capital asset addition. During the year ended December 31, 2020, the Company recognized $nil ($694 during the year ended December 31, 2019) in government grants against the equipment cost.

Impairment losses of $665 were recorded on capital assets during the year ended December 31, 2020 ($7,070 during the year ended December 31, 2019, $5,689 during the year ended December 31, 2018). Details of these impairments are provided in note 24.

(In thousands of Canadian dollars, except for per share amounts)

11. Right-of-use assets

	Buildings	Production and laboratory equipment	Other	Total
Transfer from capital assets on adoption of IFRS 16 (note 10)	$ —	$ 1,043	$ —	$ 1,043
Initial recognition of assets under operating leases on adoption of IFRS 16	37,552	460	94	38,106
Balance at January 1, 2019	$ 37,552	$ 1,503	$ 94	$ 39,149
Additions	2,331	—	49	2,380
Lease modifications and other remeasurements	36	—	—	36
Depreciation expense	(4,274)	(592)	(47)	(4,913)
Sold - discontinued operations (note 6)	(3,300)	—	—	(3,300)
Effect of foreign exchange differences	(99)	1	—	(98)
Net book value as at January 1, 2020	$ 32,246	$ 912	$ 96	$ 33,254
Additions	378	151	15	544
Lease modifications and other remeasurements	(1,998)	—	—	(1,998)
Depreciation expense	(3,956)	(561)	(61)	(4,578)
Impairment (note 24)	(18,553)	(70)	(4)	(18,627)
Effect of foreign exchange differences	(31)	(6)	(1)	(38)
Net book value at December 31, 2020	**$ 8,086**	**$ 426**	**$ 45**	**$ 8,557**

(In thousands of Canadian dollars, except for per share amounts)

12. Intangible assets

	Licenses and other rights	Patents	Software	Total
Cost				
Balance at January 1, 2019	$ 160,782	$ 6,997	$ 3,286	$ 171,065
Additions	—	728	467	1,195
Sold - discontinued operations (note 6)	(2,505)	(842)	(47)	(3,394)
Disposals	—	(524)	(39)	(563)
Effect of foreign exchange differences	(9)	(50)	(19)	(78)
Balance at December 31, 2019	$ 158,268	$ 6,309	$ 3,648	$ 168,225
Additions	3,796	668	29	4,493
Disposals	—	(179)	(362)	(541)
Effect of foreign exchange differences	—	(15)	(9)	(24)
Balance at December 31, 2020	**$ 162,064**	**$ 6,783**	**$ 3,306**	**$ 172,153**
Accumulated amortization				
Balance at January 1, 2019	$ 147,356	$ 2,838	$ 1,068	$ 151,262
Amortization expense	410	403	446	1,259
Disposals	—	(364)	(9)	(373)
Impairments (note 24)	4,528	761	7	5,296
Sold - discontinued operations (note 6)	(2,418)	(570)	(36)	(3,024)
Effect of foreign exchange differences	(6)	(29)	(6)	(41)
Balance at December 31, 2019	$ 149,870	$ 3,039	$ 1,470	$ 154,379
Amortization expense	178	353	559	1,090
Disposals	—	(23)	(333)	(356)
Impairments (note 24)	480	1,072	15	1,567
Effect of foreign exchange differences	—	(12)	(7)	(19)
Balance at December 31, 2020	**$ 150,528**	**$ 4,429**	**$ 1,704**	**$ 156,661**
Carrying amounts				
At December 31, 2020	**$ 11,536**	**$ 2,354**	**$ 1,602**	**$ 15,492**
At December 31, 2019	8,398	3,270	2,178	13,846

At December 31, 2020, intangible assets include $7,106 pertaining to a reacquired right from a licensee; these rights are not yet available for use and consequently their amortization has not commenced (note 17a,ii).

Impairment losses of $1,567, $5,296 and $142,609 were recorded on certain licenses and patents during the years ended December 31, 2020, 2019 and 2018 respectively (note 24).

The amortization expense for the year ended December 31, 2018 was $1,372.

(In thousands of Canadian dollars, except for per share amounts)

13. Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
Trade payables	**$ 9,153**	$ 10,496
Wages and benefits payable	**3,083**	5,593
Current portion of royalty payment obligations (note 17)	**3,248**	3,043
Current portion of license acquisition payment obligation (note 17)	**—**	1,302
Current portion of other employee benefit liabilities (note 17)	**1,351**	2,374
	$ 16,835	$ 22,808

14. Lease liabilities

The transactions affecting the lease liabilities during the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Transfer of finance lease from operating and finance lease inducements and obligations	**$ —**	$ 846
initial recognition of lease liabilities under operating leases on adoption of IFRS 16	**—**	41,855
Balance at January 1	**$ 38,237**	$ 42,701
Additions	**544**	2,823
Interest expense	**6,030**	7,068
Payments	**(9,167)**	(9,330)
Derecognized - discontinued operations (note 6)	**—**	(4,069)
Lease modification and other remeasurements	**(1,934)**	—
Effect of foreign exchange differences	**(258)**	(956)
Balance at December 31	**$ 33,452**	$ 38,237
Less current portion of lease liabilities	**6,946**	8,290
Long-term portion of lease liabilities	**$ 26,506**	$ 29,947

The interest expense on lease liabilities is included as part of finance costs in the consolidated statement of operations.

(In thousands of Canadian dollars, except for per share amounts)

15. Warrant liability

2020

As part of the consideration for the private placement completed on November 3, 2020 (note 18a, 18c) where SALP and another investor participated equally, the Company issued 6,315,788 warrants that expire on November 3, 2025. On November 25, 2020, the Company issued 1,578,946 additional warrants with the same terms and conditions as described above for no additional consideration, following an amendment to the private placement agreement. Both of these issuances combined will be referred to as the November 2020 warrants. Each warrant can be exercised to acquire one common share at an exercise price initially set at US$5.50 and that can be reduced if equity financings are completed at a lower price before its expiry. The November 2020 warrants do not meet the definition of an equity instrument since the exercise price is denominated in US$ which is different than the functional currency of Liminal which is the CA$. Consequently, they are accounted for as a financial instrument, presented as a warrant liability in the consolidated statement of financial position and carried at fair value through profit or loss.

The fair value of the warrants issued on November 3, 2020 and then on November 25, 2020 were $10,263 and $2,227 respectively. The portion of the total issuance cost pertaining to the private placement allocated to the issuance of the November 3, 2020 warrants of $709 and the fair value of the additional warrants issued on November 25, 2020 were recorded in the consolidated statement of operation transactions in financing costs and administration, selling and marketing expenses respectively. The fair value of the warrant liability of the November 2020 warrants was $11,640 at December 31, 2020 ($5,820 for the November 2020 warrants held by SALP). The gain of $850 resulting from the change in fair value of the warrants since their issuance was recognized in the statement of operations for the year ended December 31, 2020.

The fair value of the November 2020 warrants on the various dates discussed above was calculated using a Black-Scholes option pricing model in a Monte Carlo simulation in order to evaluate the downward adjustment mechanism to the exercise price. The assumptions used at the different valuation dates are provided in the table below:

	December 31, 2020	November 25, 2020	November 3, 2020
Underlying common share fair value (in US$)	**$ 4.20**	$ 3.97	$ 4.30
Remaining life until expiry	**4.8**	4.9	5.0
Volatility	**49.0%**	49.0%	49.0%
Risk-free interest rate	**0.34%**	0.38%	0.39%
Expected dividend rate	**—**	—	—
Fair value of a warrant calculated using a Black-Sholes pricing model (in US$)	**$ 1.41**	$ 1.29	$ 1.53
Fair value of exercise price adjustment mechanism (in US$)	**$ 0.22**	$ 0.24	$ 0.22
Illiquidity discount	**29.0%**	29.0%	30.0%
Fair value of a warrant (in US$)	**$ 1.16**	$ 1.08	$ 1.22
Fair value of a warrant (in CA$)	**$ 1.47**	$ 1.41	$ 1.62

2019

As consideration for the modification of the terms of the loan agreements between Liminal and SALP on November 14, 2018, the Company had a commitment to issue warrants, or Warrants #9, to SALP on or before March 20, 2019. The exact number of warrants to be issued was based on the number of warrants necessary to increase the ownership of SALP to 19.99% on a fully diluted basis at the date of issuance.

(In thousands of Canadian dollars, except for per share amounts)

On February 22, 2019, the Company further amended the fourth loan agreement with SALP with the addition of two tranches, one of US$10 million and another one of US$5 million, that were drawn on February 22, 2019 and March 22, 2019 respectively. As consideration for the modification to the fourth loan agreement, the Company amended the terms applicable at the time of issuance of Warrants #9 to reduce the originally agreed exercise price from $1,000.00 to $156.36 per preferred share and to issue the Warrants #9 concurrently with this modification. Accordingly, the Company issued 19,402 warrants on February 22, 2019. Each warrant entitles the holder to acquire one preferred share (note 18c) at a price of $156.36 per preferred share and expires on February 22, 2027. The Warrants #9 did not meet the definition of an equity instrument since the underlying preferred shares qualify as a liability instrument, and therefore they were accounted for as a financial instrument carried at fair value through profit or loss and were presented in the consolidated statement of financial position as a warrant liability.

The change in fair value of the warrant liability between December 31, 2018, when it was valued at $157 and prior to its modification on February 22, 2019, in the amount of $218 was recorded in the consolidated statement of operations. The Company recorded the increase in fair value of the warrants of $1,137 resulting from the reduction of the exercise price of Warrants #9 on February 22, 2019 against the two additional tranches of the credit facility, treating the increase as financing fees. The change in fair value of the warrant liability between February 22, 2019, after the modification, and March 31, 2019 was an increase of $11 and a decrease in fair value of $1,369 (a gain) between March 31, 2019 to April 23, 2019. Both variations were recorded in the consolidated statements of operations. The estimated fair value of these warrants at April 23, 2019 was $153.

As part of the debt restructuring agreement entered into on April 23, 2019 (note 16), all the outstanding warrants belonging to SALP, including the Warrants #9, were cancelled and replaced by new warrants (note 18c). The cancellation and the issuance of new warrants was treated as a modification. Following this modification, the Warrants #9 no longer meet the definition of a liability instrument and the Company reclassified the fair value of the Warrants #9 as of April 23, 2019 of $153 from warrant liability to warrants classified as equity.

The fair value of Warrants #9 on the various dates was calculated using a Black-Scholes option pricing model with the assumptions provided in the table below. In order to estimate the fair value of the underlying preferred share, the Company used the market price of Liminal's common shares at the measurement date, discounted for the fact that the preferred shares are illiquid. The value of the discount was calculated using a European put option model to sell a common share of Liminal at the price of $1,000.00 or $156.36 per share in 20 years.

	April 23, 2019	February 22, 2019	December 31, 2018
Underlying preferred share fair value	32.43	152.15	130.00
Number of warrants issued	19,402	19,402	14,088
Volatility	55.6%	48.1%	44.5%
Risk-free interest rate	1.66%	1.84%	2.82%
Remaining life until expiry	7.8	8.0	7.9
Expected dividend rate	—	—	—

(In thousands of Canadian dollars, except for per share amounts)

16. Long-term debt

The transactions during the year ended December 31, 2020 and 2019 and the carrying value of the long-term debt at December 31, 2020 and 2019 were as follows:

		2020		2019
Balance at January 1	**$**	**8,834**	$	125,804
Stated and accreted interest		**2,209**		7,874
Drawdown on non-revolving line of credit (second term loan)		**29,123**		**—**
Drawdown on credit facility		**—**		18,677
Issuance of secured convertible debentures		**2,410**		**—**
Repayment of principal through share issuance		**—**		(141,536)
Repayment of principal		**(165)**		(988)
Repayment of stated interest		**(1,879)**		(3,540)
Foreign exchange revaluation on Credit Facility balance		**—**		(1,311)
Extinguishment of loans following a debt modification		**—**		(4,667)
Recognition of loans following a debt modification		**—**		8,521
Balance at December 31	**$**	**40,532**	$	8,834

At December 31, 2020 and 2019, the carrying amount of the debt comprised the following loans:

	December 31, 2020		December 31, 2019
First term loan having a principal of $10,000 maturing on April 23, 2024 bearing stated interest of 8% per annum (effective interest rate of 15.05%) [2)]	**$** **8,910**	$	8,669
Second term loan having a principal of $29,123 maturing on April 23, 2024 bearing stated interest of 10% per annum (effective interest rate of 10.47%) [2)]	**29,123**		—
Secured convertible debentures having an aggregate principal amount of $2,410 maturing on March 31, 2022 bearing stated interest of 8% per annum (effective interest rate of 8.24%) [1)]	**2,499**		—
Non-interest bearing government term loan repayable in equal monthly installments of $82 until January 31, 2020 with an effective interest rate of 8.8%	**—**		165
	$ **40,532**	$	8,834
Less current portion of long-term debt	**—**		(165)
Long-term portion of long-term debt	**$** **40,532**	$	8,669

[1)] The secured convertible debentures are secured by all the assets of Fairhaven. The Company's security interest created pursuant to its consolidated loan agreement with SALP, its parent, is subordinated to the security interest on the Fairhaven assets.

[2)] The first and second term loans issued under the consolidated loan agreement with SALP are secured by all the assets of the Company and require that certain covenants be respected including maintaining an adjusted working capital ratio.

2020

Concurrently with the Fairhaven acquisition that closed on July 17, 2020, the Company issued secured convertible debentures, or SCD, to certain former Fairhaven shareholders, for an aggregate principal amount of $2,410 and bearing an interest rate of 8% per annum, compounded quarterly. The SCD are due on the earlier of i) March 31, 2022, the maturity date, unless converted into common shares of the Company prior to the maturity date or ii) upon a change of control event. The SCD are secured by all the assets of Fairhaven and rank in priority to the term loans issued under consolidated loan agreement with SALP. At any time prior to the maturity date, the SCD holders have the right to convert the SCD into common shares of the Company. Liminal has the right to convert the SCD into common shares under certain pre-determined events. The five-trading day VWAP of Liminal's common shares immediately preceding the date of any conversion will be used to determine the number of common shares of the Company that will be issued. The SCD were recorded as financial liabilities. The conversion features were determined to have no value.

At any time prior to the maturity date, the holders, shall have a collective right to purchase additional SCD issued by the Company for an aggregate principal amount of up to $5,740 with substantially the same terms and conditions as set out in the original SCD. If the pre-determined events allowing the Company to trigger the conversion of the SCD occur prior to the maturity date, the Company has the right to require the holders of the SCD to purchase additional SCD for an aggregate principal amount of up to $5,740, which would then be converted into common shares.

On November 11, 2019, the consolidated loan agreement with SALP was amended to provide for a non-revolving line of credit bearing the same terms and conditions as the first term loan. On September 14, 2020, the Company drew down $29,123 on the non-revolving line of credit representing the entire balance available, which resulted in the issuance of the second term loan. The second term loan bears an annual interest rate of 10% compounded monthly and payable quarterly and matures on April 23, 2024.

At December 31, 2020, the Company was in compliance with all of its covenants under its long-term debt agreement.

2019

On February 22, 2019, the Company amended the fourth loan agreement, or credit facility, with the addition of two tranches of US$10 million and US$5 million which the Company drew on February 22 and March 22, 2019 respectively. Those two tranches bear interest at an annual rate of 8.5% payable quarterly. Concurrently with the amendment, the Company agreed to reduce the exercise price of Warrants #9 from $1,000.00 to $156.36 per preferred share and to immediately issue those warrants (note 15). The incremental fair value of the warrant liability of $1,137 due to this change was recognized as deferred financing fees related to the additional two tranches received. The Company recorded the credit facility draws on February 22, 2019 and March 22, 2019 at their fair value at the transaction date less the associated transaction costs and financing fees of $45 and $1,137, respectively, for a net amount of $18,677.

On April 23, 2019, the Company entered into a debt restructuring agreement with the long-term debt holder whereby the entirety of the principal on the credit facility plus a portion of the interest due, the entirety of the First and Second Original Issue Discount, or OID loans and the majority of the Third OID loan would be repaid by Liminal by the issuance of common shares, at a conversion price, rounded to the nearest two decimals, of $15.21 per common share. Consequently, the US$95 million of principal plus interest due on the credit facility was reduced to $663 and the aggregate face value of the three OID loans was reduced by $99,552 to $10,000 with the remaining balance of the Third OID loan modified into an interest-bearing loan, which is referred to as the first term loan, at a stated interest of 10% payable quarterly. This resulted in the reduction of the long-term debt recorded on the consolidated statement of financial position by $141,536. The Company issued 15,050,312 common shares on that date which were recorded in share capital at a value of $228,915. The difference between the carrying amount of the debt converted into common shares and the increase in the value

(In thousands of Canadian dollars, except for per share amounts)

of the share capital is recognized as a loss on extinguishment of a loan of $87,379. The balance of interest due on the credit facility of $663 was paid in cash.

Following the debt restructuring agreement, SALP became Liminal's majority and controlling shareholder and was thereafter considered Liminal's parent entity for accounting purposes.

Pursuant to the debt restructuring, the Company cancelled the warrants previously held by SALP and replaced them with new warrants having an exercise price rounded to the nearest two decimals of $15.21 per common share, expiring on April 23, 2027 (note 18c). The incremental fair value of the replacement warrants was recognized in warrants equity and as part of the loss on the debt extinguishment together with the legal fees incurred to finalize all the related legal agreements.

The modification in terms of the remaining balance of the Third OID loan of $10,000, resulting in the first term loan, was accounted for as an extinguishment of the long-term debt and the re-issuance of a new interest-bearing loan. The difference between the carrying amount of the loan extinguished of $4,667 and the fair value of the first term loan of $8,521 recognized was recorded as a loss on debt extinguishment of $3,854. The fair value of the modified loan was determined using a discounted cash flow model with a market interest rate of 15.1%.

As a result of this transaction and the extinguishments of liabilities that occurred earlier in the beginning of 2019 following payments made to suppliers by the issuance of equity (note 18a), the consolidated statement of operations for the year ended December 31, 2019, includes a loss on extinguishment of liabilities of $92,374 detailed as follows:

Loss on extinguishment of liabilities due to April 23, 2019 loan modification		
Comprising the following elements:		
Debt to equity conversion	$	87,379
Expensing of financing fees on loan extinguishment		653
Extinguishment of previous loan		(4,667)
Recognition of modified loan		8,521
Expensing of increase in the fair value of the warrants (note 18c)		408
Loss on extinguishment of liabilities due to April 23, 2019 loan modification	$	92,294
Loss on extinguishment of liabilities to suppliers (note 18a)		80
Loss on extinguishments of liabilities	$	92,374

2018

In November 2017, the Company entered into a credit facility agreement bearing interest of 8.5% per annum expiring on November 30, 2019. The credit facility comprised two US$40 million tranches which became available to draw down once certain conditions were met. The drawdowns on the available tranches were limited to US$10 million per month.

As part of the agreement, the Company issued 54,000 warrants on November 30, 2017, or Warrants #7, to the holder of the long-term debt in consideration for the credit facility. Further details concerning the warrants are provided in note 18c. At each drawdown, the value of the proceeds drawn are allocated to the debt and the warrants classified as equity based on their fair value.

A royalty agreement between the Company and holder of long-term debt became effective upon drawing on the second tranche of the credit facility and then was subsequently modified as part of the loan modification discussed below. The proceeds to be received upon the first three draws on the second US$40 million tranche

(In thousands of Canadian dollars, except for per share amounts)

was increased from US$10.0 million to US$11.5 million to include the consideration paid by the holder for the royalty commitment (note 31).

In 2018, the Company drew on the remaining US$60 million available on the credit facility throughout the year, bringing the cumulative draws from US$20 million at December 31, 2017 to US$80 million at December 31, 2018.

The table below summarizes by quarter, the impact of the various drawdowns and the royalty proceeds on the consolidated financial statements:

			Allocation of Proceeds		
Quarter	US$ proceeds	CA$ equivalent*	Debt *	Warrants *	Royalty liability*
Q1 2018	20,000,000	25,155,000	19,585,372	5,569,628	—
Q2 2018	11,500,000	14,768,300	12,881,631	1,886,669	—
Q3 2018	23,000,000	29,808,690	27,144,445	2,531,438	132,807
Q4 2018	10,000,000	13,280,100	12,109,314	1,170,786	—

*Exceptionally for this table Canadian dollars are not rounded to thousands of dollars.

For the August and September 2018 draws, the holder of the long-term debt used the set-off of principal right under the OID loan agreements to settle $3,917 (US$3 million) of the amounts due to the Company under the royalty agreement by reducing the face value of the second OID loan from $21,172 to $17,255. As a result, the cash proceeds received for those two draws were $25,892.

These transactions were accounted for as an extinguishment of a portion of the OID loan and the difference between the adjustment to the carrying value of the loan of $2,639 and the reduction in the face value of the OID loan of $3,917, was recorded as a loss on extinguishment of liabilities of $1,278.

On November 14, 2018, the Company and SALP modified the terms of the four loan agreements to extend the maturity date of the credit facility from November 30, 2019 to September 30, 2024 and all three OID loans from July 31, 2022 to September 30, 2024. Interest on amounts outstanding on the credit facility to be payable quarterly at an annual rate of 8.5% during the period of the extension. As of July 31, 2022, the OID loans would be restructured into cash paying loans bearing interest at an annual rate of 10%, payable quarterly. The outstanding face values of the OID loans at that date would become the principal amounts of the restructured loans. As additional consideration for the extension of the maturity dates, Liminal agreed to cancel 100,117 existing warrants (Warrants #3 to 7) and issue replacement warrants to SALP, bearing a term of 8 years and exercisable at a per share price equal to $1,000.00 (note 18c). The exact number of warrants to be granted to be set at a number that will result in the holder of the long-term debt having a 19.99% fully-diluted ownership level in Liminal upon issuance of the warrants, which are to be issued no later than March 20, 2019. On November 30, 2018, Warrants #3 to 7 were cancelled and 128,057 warrants to purchase common shares, or Warrants #8, representing a portion of the replacement warrants, were issued. At the end of the agreed upon measurement period for calculating the number of new warrants to be issued, Liminal would issue the remaining replacement warrant under a new series of warrants, or Warrants #9, which would give the holder the right to acquire preferred shares (notes 15 and 18a). The SALP also obtained the Company's best efforts to support the election of a second representative of the lender to the Board of directors of the Company, and the extension of the security to the royalty agreement.

(In thousands of Canadian dollars, except for per share amounts)

Management assessed the changes made to the previous agreements and determined that the modification should be accounted for as an extinguishment of the previous loans and the recording of new loans at their fair value determined as of the date of the modification. The fair value of the modified loans, determined using a discounted cash flow model with a market interest rate of 20.1%, was $107,704. Any cost or fees incurred with this transaction were recognized as part of the gain on extinguishment, including legal fees incurred in the amount of $434 and the improvements to the terms of the warrants. To determine this value, the Company estimated the fair value of the vested warrants (Warrants #3 to 7) and the fair value of the new warrants, excluding the 6,000 warrants that were associated with the last draw on the credit facility that occurred on November 22, 2018. The incremental fair value was $8,778 of which $338 pertains to Warrants #9 (note 15).

In addition, the fees incurred in regards of the credit facility, that were previously recorded in the consolidated statement of financial position as other long-term assets and were being amortized and recognized in the consolidated statement of operations over the original term of the credit facility, were recognized as part of the gain on extinguishment for an amount of $3,245.

As a result of this transaction and the extinguishments of debt that occurred earlier in the year following the use of the set-off of principal right by SALP, the consolidated statement of operations for the year ended December 31, 2018, includes a gain on extinguishment of liabilities of $33,626 detailed as follows:

Gain on extinguishment of liabilities due to November 14, 2018 debt modification		
Comprising the following elements:		
Extinguishment of previous loans	$	(155,055)
Expensing of deferred financing fees on credit facility		3,245
Recognition of modified loans		107,704
Expensing of increase in the fair value of the warrants		8,778
Warrants proceeds		(10)
Expensing of legal fees incurred with the debt modification		434
Gain on extinguishment of liabilities due to November 14, 2018 debt modification	$	(34,904)
Loss on extinguishment of liabilities due to set-off of principal		1,278
Gain on extinguishments of liabilities	$	(33,626)

17. Other long-term liabilities

		December 31, 2020		December 31, 2019
Royalty payment obligations (a)	**$**	**3,355**	$	3,148
License acquisition payment obligation (b)		**—**		1,302
Other employee benefit liabilities		**1,557**		2,554
	$	**4,912**	$	7,004
Less:				
Current portion of royalty payment obligations (note 13)		**(3,248)**		(3,043)
Current portion of license acquisition payment obligation (note 13)		**—**		(1,302)
Current portion of other employee benefit liabilities (note 13)		**(1,351)**		(2,374)
	$	**313**	$	285

a) Royalty payment obligations

i) Royalty payment obligations to SALP

During the second quarter of 2018, the Company signed a royalty agreement with SALP at the same time as certain conditions pertaining to the second advance of the credit facility were modified. As a result of the agreement, the Company obtained the right to receive US$1.5 million milestone payments upon each draw of the second tranche of the credit facility in exchange for increasing royalty entitlements on future revenues relating to patents existing as of the date of the agreement of PBI-1402 and analogues, including PBI-4050. The agreement includes a minimum royalty payment of US$5,000 per quarter until approximately 2033 and a liability of $132 was recognized in the consolidated statement of financial position at December 31, 2020 representing the discounted value of the minimum royalty payments to be made until the expiry of the patents covered by the agreement, using a discount rate of 18.57% ($131 at December 31, 2019). In the case where royalties based on revenues became payable, the minimum royalty previously paid would be deducted from future remittances.

On November 14, 2018, as part of the debt modification agreement, the royalty rate was increased from 1.5% to 2% on future revenues relating to the specified patents and the right to receive the final US$1.5 million milestone payment was foregone.

ii) Royalty payment obligation for reacquired rights

As part of the consideration given by the Company in 2016 for the reacquisition of the rights to 50% of the worldwide profits pertaining to the sale of plasminogen for the treatment of plasminogen congenital deficiency which were previously granted to a licensee under a license agreement, the Company agreed to make royalty payments on the sales of plasminogen for congenital deficiency, using a rate of 5% up to a total of US$2.5 million. If by December 2020 the full royalty obligation has not been paid, the unpaid balance will become due. The Company has recognized a royalty payment obligation of $3,185 (US$2.5 million) in the consolidated statement of financial position at December 31, 2020 ($2,978; US$2.3 million at December 31, 2019), representing the discounted value of the expected royalty payments to be made until December 2020, using a discount rate of 9.2%. Subsequent to December 31, 2020, the payment terms of the licence agreement were modified resulting in the amount due being paid in instalments until August 15, 2021.

b) Licence acquisition payment obligation

In consideration for acquiring a license in January 2018, the Company agreed to pay an equivalent of US$3 million; US$1 million on the date of the transaction, and US$1 million on both the first and second anniversary of the transaction, to be settled in common shares of the Company. At December 31, 2020, the license is fully paid (licence payment obligation of $1,302 as at December 31, 2019).

18. Share capital and other equity instruments

a) Share capital

Authorized and without par value

Common shares: unlimited number authorized, participating, carrying one vote per share, entitled to dividends.

Preferred shares: unlimited number authorized, issuable in one or more series.

- Series A preferred shares: unlimited number authorized, no par value, non-voting, ranking in priority to the common shares, entitled to the same dividends as the common shares, non-transferable, redeemable at the redemption amount offered for the common shares upon a change in control event.

(In thousands of Canadian dollars, except for per share amounts)

Changes in the issued and outstanding common shares during the year ended December 31, 2020 and 2019 were as follows:

	2020		2019	
	Number	**Amount**	Number	Amount
Balance - beginning of year	**23,313,164**	**$932,951**	720,306	$ 583,117
Issued to acquire assets	**299,141**	**4,681**	4,420	1,326
Exercise of stock options (note 18b)	**5,391**	**167**	—	—
Exercise of pre-funded warrants (note 18c)	**557,894**	**2,624**	—	—
Shares issued pursuant to a restricted share units plan (note 18b)	**10,355**	**9,764**	—	—
Shares issued pursuant to debt restructuring	**—**	**—**	15,050,312	228,915
Shares issued for cash	**5,757,894**	**27,074**	7,536,654	118,648
Shares released from escrow	**—**	**—**	—	400
Shares issued in payment to suppliers	**—**	**—**	1,472	545
Balance - end of year	**29,943,839**	**$977,261**	23,313,164	$ 932,951

2020

On January 29, 2020, the Company issued 96,833 common shares as a consideration for the final payment for the licence acquired in January 2018. This transaction was accounted for as an extinguishment of the license acquisition payment obligation (note 17b) and the difference between the carrying value of the liability of $1,319 and the amount recorded for the shares issued of $1,240, which were valued at the market price of the shares on their date of issuance, was recorded as a gain on extinguishment of liabilities of $79 during the year ended December 31, 2020.

On July 17, 2020 the Company issued 202,308 common shares in payment for the acquisition of Fairhaven, which has been accounted for as an asset acquisition (note 5). The common shares issued were valued at the market price of the shares, on their date of issuance for an aggregate value of $3,441.

On November 3, 2020, the Company completed a private placement for a total gross proceed of $39,960 in exchange for the issuance of 5,757,894 common shares, 557,894 prefunded warrants (note 18c) and 6,315,788 warrants (note 15, 18c). SALP's participation in the private placement was for gross proceeds of $19,980.

The total gross proceeds were allocated to the warrant liability based on its fair value of $10,263 on that date with the residual value being allocated between the common shares and the pre-funded warrants. The value attributed to the common share was $27,074. The total transaction costs of $2,755 were allocated to the three instruments issued based on their relative fair values. The amount allocated to the common shares and the pre-funded warrants, of $2,048, was recognized in the deficit.

On December 30, 2020, the 557,894 pre-funded warrants were exercised resulting in the issuance of 557,894 common shares and the receipt of $1 in cash. An amount of $2,623 was reclassified from warrants to common shares.

2019

In November 2018, the Company entered into an At-the-Market, or ATM, Equity Distribution Agreement, or EDA, under which the Company was able, at its discretion and from time to time, subject to conditions in the EDA, to offer common shares through ATM issuances on the TSX for aggregate proceeds not exceeding $31 million. The agreement provided that common shares were to be sold at market prices prevailing at the time of sale. The Company issued a total of 12,865 common shares at an average price of $327.55 per share under the

ATM in January and February 2019, for aggregate gross proceeds of $4,214, less transaction costs of $248 recorded in deficit, for total net proceeds of $3,966. This ATM facility expired in April 2020.

On January 29, 2019, the Company issued 4,420 common shares in settlement of second payment due for the license acquisition payment obligation (note 17) and recorded $1,326 in share capital based on the market value of the shares on that date.

On February 25 and 27, 2019, the Company issued a total of 1,472 common shares in payment for amounts due to certain suppliers. This transaction was accounted for as an extinguishment of liabilities and the difference between the carrying value of the accounts payable of $465 and the amount recorded for the shares issued of $545, which were valued at the market price of the shares on their date of issuance, was recorded as a loss on extinguishment of liabilities of $80.

As part of the settlement agreement concluded in April 2019 with a former CEO of the Company, common shares held in escrow as security for a share purchase loan of $400 to a former CEO were released and the loan extinguished in exchange for the receipt of a payment of $137, representing the fair value of the shares at the time of the settlement.

On April 23, 2019, the Company issued 15,050,312 common shares as part of the debt restructuring (note 16). The shares issued in relation with the debt restructuring contained trading restrictions and accordingly, the Company determined that their quoted price did not fairly represent the value of the shares issued. As such, the issued shares were recorded at fair value using a market approach under a level 2 fair value measurement of $15.21 per share, resulting in a value of the shares issued of $228,915. The fair value was based on a share issuance for cash on the same date with a non-related party. The difference between the adjustment to the carrying value of the loan of $141,536 and the amount recorded for the shares issued of $228,915 was recorded as a loss on extinguishment of a loan of $87,379.

Concurrently with the debt restructuring, the Company closed two private placements for 4,931,161 common shares at a subscription price rounded to the nearest two decimals of $15.21 for gross proceeds of $75,000, less transaction costs of $4,802 recorded in deficit, for total net proceeds of $70,198. SALP's participation in the private placement was for gross proceeds to the Company of $25,000.

In May 2019, the Company announced a rights offering to the holders of its common shares at the close of business on May 21, 2019 to subscribe for up to 20 additional common shares, for each share they held, for a subscription price rounded to the nearest two decimals of $15.21 per common share. In June 2019, the Company issued 2,592,628 common shares for gross proceeds of $39,434 as part of the right offerings less transactions costs of $271 recorded in deficit, for total net proceeds of $39,163.

b) Contributed surplus (Share-based payments)

Stock options

The Company has established a stock option plan for its directors, officers, employees and service providers. The plan provides that the aggregate number of shares reserved for issuance at any time under the plan may not exceed 3,749,714 common shares and the maximum number of common shares, which may be reserved for issuance to any individual, may not exceed 5% of the outstanding common shares. The stock options issued under the plan may be exercised over a period not exceeding ten years from the date they were granted. All stock options granted since May 2017 have a contractual life of 10 years. Stock options issued prior to May 2017 had a life of five years.

The vesting period of the stock options varies from immediate vesting to vesting over a period not exceeding 6 years. Participants meeting certain service and age requirements may see the vesting of certain awards

(In thousands of Canadian dollars, except for per share amounts)

accelerate upon retirement. The vesting conditions are established by the Board of Directors on the grant date. The exercise price is based on the weighted average share price for the five business days prior to the grant.

For stock options having a CA$ exercise price, the changes in the number of stock options outstanding during the years ended December 31, 2020, 2019 and 2018 were as follows:

	2020		2019		2018	
	Number	**Weighted average exercise price (in CA$)**	Number	Weighted average exercise price (in CA$)	Number	Weighted average exercise price (in CA$)
Balance - beginning of year	**2,209,864**	**$ 38.72**	21,625	$ 1,464.49	14,256	$ 1,782.70
Granted	**436,570**	**14.06**	2,218,810	33.13	10,837	755.97
Forfeited	**(153,982)**	**19.33**	(16,774)	159.61	(377)	1,933.34
Exercised	**(5,391)**	**15.21**	—	—	(1,681)	376.10
Cancelled	**—**	**—**	(11,713)	1,237.94	—	—
Expired	**(1,506)**	**2,462.46**	(2,084)	1,176.20	(1,410)	408.43
Repriced - options before repricing	**(1,929,685)**	**35.14**	—	—	—	—
Repriced - options after repricing	**1,929,685**	**15.21**	—	—	—	—
Balance - end of year	**2,485,555**	**$ 18.70**	2,209,864	$ 38.72	21,625	$ 1,464.49

For options having a US$ exercise price, the changes in the number of stock options outstanding during the year ended December 31, 2020 were as follows:

	Number	**Weighted average exercise price (in US$)**
Balance - beginning of year	**—**	**$ —**
Granted	**305,000**	**4.70**
Balance - end of year	**305,000**	**$ 4.70**

2020

In March 2020, Liminal's board of directors approved a plan to reduce the exercise price of the stock options issued in June 2019, held by active employees and directors at the time of the repricing. On May 26, 2020, a revised exercise price, pending approval, of $15.21 was determined, changing the exercise price to the higher of (i) $15.21 and (ii) the five trading-day VWAP of Liminal common shares on the repricing date. On June 8, 2020, the repricing of 1,929,685 of the outstanding stock options having exercise prices of $27.00 and $36.00 to the revised exercise price was approved at the Company's annual shareholder meeting.

Although the stock options were not repriced until May 26 2020, management concluded that the service period for employees and directors to earn the modified awards had commenced from the date the Company informed the holders of these stock options of the repricing proposal and the expense resulting from the repricing plan should be recognized starting from that date. Using the revised exercise price of $15.21, the Company calculated the final incremental fair value of the repricing on the grant date of May 26, 2020 to be $3,000. This incremental fair-value will be amortized from the services commencement date of March 25 over the remaining vesting

(In thousands of Canadian dollars, except for per share amounts)

period of the repriced options. The incremental grant date fair value of the repriced options was estimated based on the Black-Scholes option-pricing model calculated before and after the effect of the repricing. The following Black-Scholes assumption were used:

Expected dividend rate		—
Expected volatility of share price		93.2%
Risk-free interest rate		0.4%
Expected life in years		6.3
Weighted average grant date incremental fair value	$	1.55

In June 2020, 436,570 stock options, having an exercise price of $14.06 and vesting over a period of up to four years, were issued to employees and directors. In October 2020, 20,000 stock options, having an exercise price of US$10.80 and vesting over a period of three years were issued to a new director. In December 2020, 285,000 stock options having an exercise price of US$4.27, of which 95,000 stock options vested immediately and the remaining stock options vest over a period up to three years, were issued to key management.

During the year ended December 31, 2020, 5,391 stock options were exercised resulting in cash proceeds of $82 and a transfer from contributed surplus to share capital of $85. The weighted average share price on the date of exercise of the stock options during the year ended December 31, 2020 was $18.47.

2019

In January 2019, 1,622 stock options were granted at an exercise price of $300.00 and vesting on December 31, 2019. On June 4, 2019, 1,794,224 stock options were granted to management at a strike price of $36.00 of which 248,825 stock options vested immediately and the remaining vest over a period up to six years. On June 19, 2019, 251,714 stock options were issued at a strike price of $27.00 of which 60,717 stock options vested immediately and the remaining vest over a period up to four years. On September 3, 2019, 71,250 stock options were issued at a strike price of $11.99 and on December 3, 2019, 100,000 stock options were issued at a strike price of $7.86, both of these grants having a vesting period of up to four years. The weighted average grant date fair value of the stock options issued in 2019 was $12.74.

In June and August 2019, the Company cancelled the options that were issued prior to June 2019, as the exercise price of these options were so above the market price at the time, that it was highly unlikely that they would ever be exercised. In compensation for their agreement to the cancellation, key management and employees, received the new options granted to them in June 2019 discussed above. Consequently, 11,084 stock options with a weighted average exercise price of $1,256.73 were cancelled. There was no exercise of stock options in 2019.

2018

During the year ended December 31, 2018, 10,837 stock options having a contractual term of 10 years and a vesting period of up to four years were granted.

During the year ended December 31, 2018, 1,681 stock options were exercised resulting in cash proceeds of $635 and a transfer from contributed surplus to share capital of $438. The weighted average share price on the date of exercise of the options during the year ended December 31, 2018 was $1,044.16.

(In thousands of Canadian dollars, except for per share amounts)

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options at the date of grant. The weighted average inputs into the model and the resulting grant date fair values during the years ended December 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Expected dividend rate	**—**	—	—
Expected volatility of share price	**100.5%**	45.0%	66.1%
Risk-free interest rate	**0.5%**	1.4%	2.1%
Expected life in years	**6.7**	7.2	7.9
Weighted average grant date fair value	**$ 8.66**	$ 12.74	$ 221.64

At December 31, 2020, stock options issued and outstanding denominated in CA$ and US$ by range of exercise price are as follows:

Range of exercise price for stock option issued in CA$	**Number outstanding**	**Weighted average remaining contractual life (in years)**	**Weighted average exercise price (CA$)**	**Number exercisable**	**Weighted average exercise price (CA$)**
$7.86 - $11.99	171,250	8.8	$ 9.58	47,266	$ 9.81
$14.06	402,980	9.4	14.06	20,000	14.06
$15.21	1,854,541	8.4	15.21	480,577	15.21
$27.00 - $3,170.00	56,784	8.1	193.03	55,734	183.86
	2,485,555	8.6	$ 18.70	603,577	$ 30.32

Range of exercise price for stock option issued in US$	**Number outstanding**	**Weighted average remaining contractual life (in years)**	**Weighted average exercise price (US$)**	**Number exercisable**	**Weighted average exercise price (US$)**
$4.27	285,000	9.9	$ 4.27	95,000	$ 4.27
$10.80	20,000	9.8	10.80	—	—
	305,000	9.9	$ 4.70	95,000	$ 4.27

A share-based payment compensation expense of $6,169 was recorded for the stock options for the year ended December 31, 2020 ($12,212 and $3,372 for the year ended December 31, 2019 and 2018 respectively).

Restricted share units, or RSU

The Company has established an equity-settled restricted share units plan for executive officers of the Company, as part of its incentive program designed to align the interests of its executives with those of its shareholders, and in accordance with its long-term incentive plan. The vesting conditions are established by the Board of Directors on the grant date. Participants meeting certain service and age requirements may see the vesting of certain awards accelerate upon retirement. Each vested RSU gives the right to receive a common share.

(In thousands of Canadian dollars, except for per share amounts)

Changes in the number of RSU outstanding during the years ended December 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Balance - beginning of year	**17,565**	18,299	9,799
Granted	**—**	12,564	10,329
Expired	**—**	—	(1,578)
Forfeited	**(46)**	(409)	(19)
Released	**(10,355)**	—	(232)
Paid in cash	**(2,948)**	(8,396)	—
Cancelled	**—**	(4,493)	—
Balance - end of year	**4,216**	17,565	18,299

2020

During the first quarter of 2020, 2,948 RSU were paid in cash resulting in a reduction to contributed surplus of $40. As at December 31, 2020, all 4,216 outstanding RSU were vested. Share-based payment compensation expense of $65 was recorded during the year ended December 31, 2020.

2019

On January 31, 2019, the Company granted 12,564 RSU at a grant price of $300.00 and a one-year vesting period. On May 30, 2019, the Company decided to vest the 12,564 RSU and the employees were given the choice to receive the then current value of the shares in cash or to receive the shares at a later date. As a result, 8,396 RSU were released and paid in cash resulting in a reduction to contributed surplus of $421.

On May 7, 2019 the 12,886 performance-based RSU pertaining to the "2017-2019" cycle and the "2018-2020" cycle were modified by removing the performance conditions and converting them into time-vesting RSU. The quantity modified into time-vesting units was equivalent to the 100% achievement range whereby in the past, the outcome of the performance conditions could go from zero to 150%. Historically, the Company has always reported the quantity of RSU outstanding as the maximum number of shares that could be issued under the plan. This change resulted in the cancellation of 4,305 units.

At December 31, 2019, 13,262 vested RSU and 4,303 unvested RSU were outstanding. Share-based payments compensation expense of $9,818 was recorded during the year ended December 31, 2019.

2018

On December 4, 2018, the Company granted 10,329 RSU to management (the "2018-2020 RSU") with a time period to meet the vesting conditions extending to December 31, 2020. The grant included 2,374 units that vest at a rate of 33.3% at the end of each year and become available for release at the time of vesting, and 7,955 units that have performance-based conditions with a scaling payout depending on performance (ranging from 0% to 150%). These 2018-2020 performance-based RSU have since been converted into time-vesting RSU at 100% in 2019 as mentioned above.

Share-based payments compensation expense of $3,350 was recorded during the year ended December 31, 2018.

(In thousands of Canadian dollars, except for per share amounts)

Share-based payments expense

The total share-based payments compensation expense, comprising the above-mentioned expenses for stock options and RSU, has been included in the consolidated statements of operations for the years ended December 31, 2020, 2019 and 2018 as indicated in the following table:

	2020	2019	2018
Cost of sales and other production expenses	**$ 40**	$ 107	$ 299
Research and development expenses	**2,946**	7,137	2,295
Administration, selling and marketing expenses	**3,248**	14,786	4,128
	$ 6,234	$ 22,030	$ 6,722

c) Warrants

The following table summarizes the changes in the number of warrants outstanding with an exercise price in CA$ during the years ended December 31, 2020 and 2019:

	2020		2019	
	Number	**Weighted average exercise price (CA$)**	Number	Weighted average exercise price (CA$)
Balance of warrants - beginning of year	**172,735**	**$ 84.33**	153,611	$ 1,028.35
Issued for cash	**—**	**—**	19,402	156.36
Cancelled - loan modification	**—**	**—**	(168,735)	872.51
Issued - loan modification	**—**	**—**	168,735	15.21
Expired	**—**	**—**	(278)	6,390.00
Balance of warrants - end of year	**172,735**	**$ 84.33**	172,735	$ 84.33
Balance of warrants exercisable - end of year	**172,735**	**$ 84.33**	170,735	$ 50.17

The following table summarizes the changes in the number of warrants outstanding with an exercise price in US$ during the year ended December 31, 2020:

	2020	
	Number	**Weighted average exercise price (US$)**
Balance of warrants - beginning of year	**—**	**$ —**
Issued for cash	**6,873,682**	**5.05**
Issued for no consideration	**1,578,946**	**5.50**
Exercised	**(557,894)**	**—**
Balance of warrants - end of year	**7,894,734**	**$ 5.50**
Balance of warrants exercisable - end of year	**7,894,734**	**$ 5.50**

(In thousands of Canadian dollars, except for per share amounts)

2020

As a consideration to the private placement on November 3, 2020 (note 18a), the Company issued 6,315,788 warrants (note 15) and 557,894 pre-funded warrants. The gross proceeds allocated to the pre-funded warrants was $2,623. The pre-funded warrants exercise price was US$0.001 and a term of five years.

On November 25, 2020, the Company issued 1,578,946 additional warrants with the same terms and conditions as described above, following an amendment to the private placement agreement. On December 30, 2020, the pre-funded warrants were fully exercised and 557,894 common shares were issued (note 18a).

2019

On February 22, 2019, pursuant to modifying the fourth loan agreement, the Company issued 19,402 warrants, Warrants #9, having an exercise price of $156.36 (note 15). Warrants #9 do not meet the definition of an equity instrument since the underlying preferred shares qualify as a liability instrument, and therefore they must be accounted for as a financial instrument carried at fair value through profit or loss (note 15).

On April 23, 2019, as part of the debt restructuring (note 16), 168,735 warrants (Warrants #1, 2, 8 and 9) were cancelled and replaced with an equivalent number of new warrants, Warrants #10, that will be exercisable at an exercise price of $15.21 per common share and expire on April 23, 2027. The increase in the fair value of the replacement warrants compared to those cancelled was $408 at the date of the modification and was recorded in shareholders' equity – warrants with the corresponding expense recorded as part of the loss on extinguishment of liabilities due to the debt restructuring.

2018

On November 14, 2018, an agreement was signed between the Company and the holder of the long-term debt to extend the maturity of the three OID loans and the Credit Facility (note 16). As part of the cost for the debt modification, the Company proceeded on November 30, 2018 to cancel 100,117 existing warrants (Warrants #3 to 7) and replace them with 128,057 new warrants (Warrants #8), each giving the holder the right to acquire one common share at an exercise price of $1000.00 per share, paid either in cash or in consideration of the lender's cancellation of an equivalent amount of the face value of an OID loan. The warrants expire on November 30, 2026. A payment of $10 was received from the holder of the long-term debt as part of this transaction. The increase in the fair value of the replacement warrants compared to those cancelled was $8,440 at the date of the modification. This value in addition to the payment received was recorded in shareholders' equity – warrants and the corresponding debit was recorded against the gain on extinguishment of liabilities relating to the debt modification.

The warrants outstanding as at December 31, 2020, their exercise price in CA$ or in US$, expiry rate and the overall weighted average exercise price in both currency are as follows:

	Number	Expiry date	Exercise price (CA$)
	4,000	January 2023	3,000.00
	168,735	April 2027	15.21
Warrants outstanding with an exercise price in CA$	172,735		$ 84.33

	Number	Expiry date	Exercise price (US$)
Warrants outstanding with an exercise price in US$	7,894,734	November 2025	$ 5.50

(In thousands of Canadian dollars, except for per share amounts)

19. Non-controlling interests

The Company held less than 100% interest in the following three entities during the last three fiscal years. The interest in these subsidiaries at December 31, 2020, 2019 and 2018 was as follows:

Name of subsidiary	Segment activity	Place of incorporation and operation	Proportion of ownership interest held by group
Prometic Bioproduction Inc. [1)]	Plasma-derived therapeutics	Quebec, Canada	**100%**
Pathogen Removal and Diagnostic Technologies Inc.	Corporate	Delaware, U.S.	**77%**
NantPro Biosciences, LLC [2)]	Plasma-derived therapeutics	Delaware, U.S.	**73%**

[1)] The non-controlling interest, or NCI, in Prometic Bioproduction Inc. or PBP owned 13% of the common shares until April 2018, when the Company acquired these shares in the subsidiary in exchange for 4,712,422 common shares of the Company. Consequently, $15,278 was recognized in the deficit to reflect Liminal's increase in the ownership of the subsidiary, representing the difference in value between the $3,629 of equity issued in payment of the 13% ownership acquired and $11,649 of total net liabilities attributed to the NCI at the date of the transaction that was derecognized from the statement of financial position. Until that time, the NCI in PBP was attributed its share of the operating results and the financial position of the entity. The loss allocated to the NCI of PBP during the four first months of 2018 was $927.

[2)] Following a change in the Company's strategic plans that resulted in the recording of an impairment of the assets of NantPro Biosciences, LLC or Nantpro, during the year ended December 31, 2018 (note 24), NantPro wound up its activities in 2019. This resulted in reduced operating costs in 2019 compared to 2018 and $nil operating costs in 2020. The carrying value of NantPro's assets or liabilities was $nil at December 31, 2020 and 2019 and consequently, the share of the NCI in the NantPro statement of financial position is $nil at December 31, 2020 and 2019.

The summarized statements of financial position for Pathogen Removal and Diagnostic Technologies Inc, or PRDT, and the summarized statements of operations for PRDT and NantPro are provided below. This information is based on amounts before inter-company eliminations.

Summarized statements of financial position for PRDT

	December 31, 2020	December 31, 2019
Receivables (current)	**$ 233**	$ 9
Capital and intangible assets (long-term)	**113**	156
Trade and other payables (current)	**(877)**	(748)
Intercompany loan	**(16,846)**	(15,956)
Total equity (negative equity)	**$ (17,377)**	$ (16,539)
Attributable to non-controlling interests	**$ (8,087)**	$ (7,255)

The share of the NCI in PRDT's statement of financial position represents an asset on the Company's consolidated statement of financial position.

(In thousands of Canadian dollars, except for per share amounts)

Summarized statement of operations of PRDT

Year ended December 31	**2020**	2019	2018
Royalty revenues	**$ 572**	$ 585	$ 839
Royalty expenses	**(128)**	(132)	(190)
Research and development expenses	**(196)**	(215)	(179)
Administration and other expenses	**(1,506)**	(896)	(1,001)
Impairment loss	**—**	(129)	—
Net loss and comprehensive loss	**$ (1,258)**	$ (787)	$ (531)
Attributable to non-controlling interests	**$ (832)**	$ (713)	$ (641)

Summarized statement of operations of NantPro:

Year ended December 31	2019	2018
Research and development expenses	$ (1,213)	$ (10,556)
Administration and other expenses	(13)	(131)
Impairment loss	—	(141,025)
Net loss and comprehensive loss	$ (1,226)	$ (151,712)
Attributable to non-controlling interests	$ (331)	$ (40,962)

For all years presented, the losses from continuing operations allocated to the NCI in the consolidated statements of operations, per subsidiary are as follows:

	2020	2019	2018
Consolidated statements of operations:			
Prometic Bioproduction Inc.	**$ —**	$ —	$ (927)
Pathogen Removal and Diagnostic Technologies Inc.	**(832)**	(713)	(641)
NantPro Biosciences, LLC	**—**	(331)	(40,962)
Total non-controlling interests	**$ (832)**	$ (1,044)	$ (42,530)

The NantPro NCI's share in the funding of the subsidiary by Liminal was $nil for the year ended December 31, 2020 ($331 for the year ended December 31, 2019 and $2,892 for the year ended December 31, 2018) and has been presented in the consolidated statements of changes in equity.

(In thousands of Canadian dollars, except for per share amounts)

20. Capital management

The Company defines its capital as shareholders' equity including warrants presented as a liability and long-term debt (including the current portion) less cash and cash equivalents.

	December 31, 2020	December 31, 2019
Warrant liability	**$ 11,640**	$ —
Lease liabilities	**33,452**	38,237
Long-term debt	**40,532**	8,834
Total equity	**15,012**	94,934
Cash and cash equivalents	**(45,075)**	(61,285)
Total capital	**$ 55,561**	$ 80,720

The Company manages its capital resources to fund the growth and development of its business and to ensure it has sufficient liquidities to support the working capital required to maintain its ability to continue as a going concern and to pay long-term obligations upon maturity. The Company monitors its ability to meet its financial obligations and evaluates funding requirements by forecasting cash requirements. Financial covenants of existing debt agreements, including capital requirements (note 16) are reviewed by management on an ongoing basis to monitor compliance.

At the present time, the Company favors financing by issuing equity instruments in order to minimize future financial obligations, however it considers all sources of financing reasonably available, including but not limited to the issuance of equity instruments, new debt and the sale of assets. The Company considers the cost of capital, the terms and conditions and the dilutive effect on shareholders when considering the different forms financings that it may prevail upon.

21. Revenues from continuing operations

	2020	2019	2018
Revenues from the sale of goods	**$ 2,593**	$ 4,734	$ 23,874
Royalty revenues	**572**	—	—
Revenues from the rendering of services	**6**	34	260
Rental revenue	**146**	136	499
	$ 3,317	$ 4,904	$ 24,633

All the rental revenues are generated from subleasing right-of-use assets.

(In thousands of Canadian dollars, except for per share amounts)

22. Supplemental information regarding the consolidated statements of operations

a) Government assistance

For the year ended December 31, 2020, the Company recognized $7,199 and $597 of government grants in connection with the Canada Emergency Wage Subsidy program and the Canada Emergency Rent Subsidy program respectively, two new subsidies program created by the Government of Canada in 2020 in response to the COVID-19 pandemic that the Company benefits from. The Company also recognized research and development tax credits during the years ended December 31, 2020, 2019 and 2018. These grants were recorded as a reduction of salary expenses and other related charges and are recognized as follows in the consolidated statement of operations:

Year ended December 31	**2020**	2019	2018
Government grants recognized in cost of sales and other production expenses:			
Salary subsidy	**$ 682**	$ —	$ —
Rent subsidy	**49**	—	—
	$ 731	$ —	$ —
Government grants recognized in research and development expenses:			
Salary subsidy	**$ 5,093**	$ —	$ —
Rent subsidy	**485**	—	—
Research and development tax credits	**1,758**	572	3,175
	$ 7,336	$ 572	$ 3,175
Government grants recognized in administration, selling and marketing expenses:			
Salary subsidy	**$ 1,457**	$ —	$ —
Rent subsidy	**63**	—	—
	$ 1,520	**$ —**	**$ —**

b) Finance costs

Year ended December 31	**2020**	2019	2018
Interest accretion on long-term debt	**$ 2,209**	$ 7,874	$ 18,856
Amortization of fees for credit facility	**—**	10	2,625
Financing fees on warrant liability	**709**	—	—
Other interest expense, transaction and bank fees	**485**	594	886
Interest expense on lease liabilities	**6,030**	7,068	—
Interest income	**(451)**	(753)	(307)
	$ 8,982	$ 14,793	$ 22,060

The table above includes financing costs from continuing and discontinued operations. Financing costs from discontinued operations for the year ended December 31, 2019 were $737 and mainly represented interest expense on lease liabilities (19$ for the year ended December 31, 2018) (note 6).

(In thousands of Canadian dollars, except for per share amounts)

c) Employee compensation expense

Year ended December 31	**2020**	2019	2018
Wages and salaries	**$ 32,410**	$ 48,846	$ 46,775
Employer's benefits	**5,443**	8,263	8,377
Share-based payments expense	**6,234**	22,030	6,722
	$ 44,087	$ 79,139	$ 61,874

23. Pension Plan

The Company maintains a defined contribution pension plan for its permanent employees. The Company matches the contributions made by employees who elect to participate in the plan up to a maximum percentage of their annual salary. The Company's contributions recognized as an expense for the year ended December 31, 2020 amounted to $1,055 ($1,495 and $1,635 for the years ended December 31, 2019 and 2018 respectively).

24. Impairment losses

	2020	2019	2018
Intangible assets (note 12)	**$ 1,567**	$ 5,296	$ 142,609
Capital assets (note 10)	**665**	7,070	5,689
Right-of-use assets (note 11)	**18,627**	—	—
Option to purchase equipment	**—**	—	653
Investment in an associate (note 25)	**—**	—	1,182
Deferred revenue	**—**	—	(181)
	$ 20,859	$ 12,366	$ 149,952

2020

At the end of 2020, in reviewing its portfolio of compounds in the small molecule therapeutics segment, the Company identified impairment indicators for certain patents. One of the patent families impaired concerned a molecule that had entered into a phase 1 clinical trial in 2019 that was subsequently discontinued after the review of the pharmacokinetic data for the first three cohorts obtained. Following additional pre-clinical studies conducted in 2020 to further the Company's understanding of the mechanism of action, or MOA, lead to findings that the MOA included engaging a receptor which has been known in other products which engage the same receptor to occasionally cause undesirable side effects. Subsequently, management decided that the preclinical and clinical development activities associated with demonstrating that such molecule did not induce such side effects would be both time-consuming and costly and therefore the future development has been suspended. Another patent family impaired concerned another molecule that is licensed for development with a third party, whose research and development work we believe to be delayed from the agreed upon timelines and is unlikely to perform significant development in the near future. Further, the development of another compound was deprioritized, as the Company wishes to prioritize development of its lead compound fezagepras, as well as GPR84 and OXER1 drug candidates, which led to the impairment of the related patents. These small molecules patents were written down to their net recoverable amount of $nil, as both the FVLCD and the value in use were determined to be insignificant, resulting in an impairment of $1,072 for the year ended December 31, 2020 (note 12).

Subsequent to December 31, 2020, the Company announced it has undertaken to evaluate potential alternatives aimed at minimizing the plasma-derived therapeutics segment cash burn which may result in divestment in

whole or part of this business, or other courses of action including but not limited to the closure of the Ryplazim® related operations, in order to focus our resources on the small molecules segment.

As the capital, intangible and ROU assets in the Ryplazim® CGU were no longer to be used as originally planned, management proceeded to review them for impairment and writing them down to their net recoverable value determined as the FVLCD using a market approach. The Ryplazim® CGU includes the assets involved in production, R&D and commercialization activities relating to the Ryplazim® product candidate that has yet to receive regulatory approval for commercialization. The Ryplazim® CGU evaluated excluded the assets pertaining the plasma collection activities since these can generate distinct cash inflows and could potentially be divested separately from the Ryplazim® assets. The plasma collection assets were not considered impaired.

The FVLCD was calculated using a discounted cash flow model for one year and a terminal value of $58.1 million using a post-tax discount rate of 7.75%. The fair value computed by management is considered as a level 3 computation in the fair value hierarchy under *IFRS 13, Fair value measurement*. As part of this valuation exercise, management needed to make several key assumptions which affected the cash inflows and outflows considered in the model. The significant estimates used in determining the FVLCD are disclosed in note 3.

As a result of this exercise, the Company recorded an impairment of $665 on capital assets (note 10), $18,553 on ROU assets (note 11) and $480 on intangible assets (note 12), respectively, representing an aggregate impairment of $19,698 on these plasma-derived therapeutic assets for the year ended December 31, 2020.

During the year, the Company recorded other impairments amounting to $89.

2019

During the year 2019, the Company, evaluated its intellectual property and the related market opportunities in the context of the Company's financial situation and has made further decisions about the areas the Company will or will not pursue.

One of these decisions affecting our plasma-derived therapeutic segment was to no longer pursue further indications relating to the human-plasma protein plasminogen. As such, the Company decided it would retain sufficient staff to complete and resubmit a BLA, for congenital plasminogen deficiency and to build ongoing manufacturing supply, but then it would cease all R&D activities in the plasma-derived therapeutics segment not relating to Ryplazim®. Because of this, the Company's long-term production forecasts for plasminogen were reduced and it was decided that one of its planned manufacturing facilities and a technical transfer facility would no longer be required. The Company also decided to close its R&D facility in Rockville, MD by the end of 2020. Consequently, the capital and intangible assets in the Plasma-derived therapeutics segment that were no longer to be used as originally planned were reviewed for impairment and written-down to their net recoverable value determined as the FVLCD using a market approach. The Company assessed the resale value of the property, plant and equipment, the licenses and patents, in their present condition, less cost of disposal and consequently, recorded an impairment of $7,070 and $4,535 on capital assets and intangible assets, respectively for the year ended December 31, 2019.

In reviewing its portfolio of compounds in the small molecule therapeutics segment, the Company identified compounds that where not within the areas of fibrosis on which it intends to focus and evaluated the net recoverable value of those related patents as $nil, determined as the fair value less cost of disposal using a market approach. An impairment on intangible assets of $634 was recognized for the year ended December 31, 2019.

As a result of the bioseparations business sale, some intellectual property including patents retained by the company are no longer expected to be developed. The company evaluated the net recoverable value of those

patents is $nil, using a FVLCD using a market approach. An impairment on intangible assets of $127 was recognized for the year ended December 31, 2019.

2018

As a result of various events affecting the Company during 2018, including; 1) the delay of the commercial launch of Ryplazim® following the identification by the FDA of a number of changes required in the Chemistry, Manufacturing and Controls, or CMC, section of the BLA submission for congenital plasminogen deficiency, 2) the Company's limited financial resources since the fourth quarter of 2018, which significantly delayed manufacturing expansion plans and resulted in the Company focusing its resources on the resubmission of the Ryplazim® BLA; 3) the recognition of the larger than anticipated commercial opportunities for Ryplazim®, and 4) the change in executive leadership in December 2018, the Company modified its strategic plans during the fourth quarter to focus all available plasma-derived therapeutic segment resources on the manufacturing and development of Ryplazim®, for the treatment of congenital plasminogen deficiency and other indications.

These changes and their various impacts prompted Management to perform an impairment test of the IVIG cash generating unit, which includes assets such as the licenses held by NantPro and Prometic Biotherapeutics inc. amongst others, manufacturing equipment located at its Canadian manufacturing facilities and the CDMO facility at December 31, 2018, and to review whether other assets pertaining to follow-on proteins might be impaired.

In regards to the IVIG CGU, in light of the substantial work, time and investment required to complete a robust CMC package for IVIG prior to the BLA filing, the limited resources available to complete the CMC section and the reduction of the forecasted IVIG production capacity at all plants would significantly delay the commercialisation of IVIG compared to previous timelines and as a result, cash inflows beginning beyond 2023 were not considered in the determination of the value in use due to the inherent uncertainty in forecasting cash flows beyond a five year period, as required by *IAS 36, Impairment of Assets*. As a result, the value in use for the IVIG CGU was $nil. Management also evaluated the FVLCD and determined that this value would also approximate $nil.

Consequently, impairment losses for the carrying amounts of the NantPro license and a second license acquired in January 2018, giving the rights to use IVIG clinical data and the design plans for a plant with a production capacity in excess of current needs, of $141,025 and $1,584, respectively, were recorded.

The Company acquired an option to purchase equipment located in Europe in January 2018 whose purchase was settled by the issuance of common shares as described in note 19a. An impairment was subsequently recorded on the option to purchase equipment in the amount of $653 since the likelihood of exercising this option is low in view of the current manufacturing and production plans.

Finally, an impairment of $5,689 was recorded on IVIG production equipment, to reduce its value to the FVLCD.

Management also reviewed the carrying amount of its investment in ProThera, as this represents an investment in follow-on proteins the Company had acquired, since the resources for further advancement of these assets are currently limited due to the focus on Ryplazim®.

The uncertainty of future cash flows for product candidates that have not yet commenced phase 1 trials was an important consideration is making these estimates. As a result, the Company recorded an impairment on its investment in an associate of $1,182. The value in use and the fair value less cost to sell of the investment in an associate were estimated to approximate $nil.

Of the impairment losses recognized for the year ended December 31, 2018, $148,770 pertain to the plasma-derived therapeutics segment. The remainder of the impairment losses recognized did not belong to any segment.

25. Investment in an associate

During the quarter ended September 30, 2018, the Company concluded it exerted significant influence over ProThera Biologics, Inc., or ProThera, a company headquartered in Rhode Island, U.S.A., since August 15, 2018. As such, ProThera became an associate as well as a related party from that date and consequently, the equity investment in ProThera was accounted for using the equity method (note 2). ProThera is a biotherapeutics company developing methods for using Inter-alpha Inhibitor Proteins, or IaIP, to treat severe inflammation associated with infection, trauma and disease.

As of December 31, 2018, Liminal held 15.2% of the outstanding common shares of Prothera having a historical cost of $1,204. It also held an investment in convertible debt of ProThera. At December 31, 2018, the Company had invested $1,181 (US$ 866,000) in convertible debt of Prothera Biologics Inc. The convertible debt was convertible at the option of the issuer or the holder into preferred shares of ProThera, denominated in U.S. dollars and earning interest at 8.0% per annum, to be received at the date of maturity which was January 3, 2020.

As required when significant influence over an investment is obtained, the investment must be measured at fair value as of the date it became an associate. A fair value approach was applied by management in determining the fair value of the identifiable assets and liabilities of ProThera.

From August 15 until December 31, 2018, the associate reported losses of $144 of which $22 were recorded in the statement of operation as the Company's share of the loss and comprehensive loss of an associate. During the fourth quarter of 2018, following changes to the Company's strategic plans, an impairment of the investment in the associate, in the amount of $1,182 was recognized (note 24), reducing the carrying amount of the investment in the associate to $nil at December 31, 2018. The fair value of the investment in the convertible debt was estimated at $nil at December 31, 2018 and the loss of $1,181 is included as part of the change in fair value of financial instruments measure at fair value through profit or loss in the statement of operations.

On January 3, 2019, the convertible debt was converted into preferred shares of ProThera by the issuer.

In February 2019, the Company decided that it was no longer part of its strategy to pursue the development of Inter-alpha Inhibitor proteins and undertook discussions with ProThera to terminate the various corporate and commercial agreements it had in place with ProThera. The Company determined that, from that point on, it no longer had significant influence over ProThera and therefore changed its accounting for its investment in ProThera's common shares as an investment in an associate to that of a financial asset at fair value through profit and loss. The fair value of such financial asset was evaluated at $nil at that time. Any transactions between the Company and ProThera as of that date are no longer considered as a related party transaction. During December 2019, Liminal transferred the preferred shares it held back to ProThera in consideration for the termination of the agreement.

(In thousands of Canadian dollars, except for per share amounts)

Changes in the carrying amount of the investment in an associate from the date it was initially recognized as an associate on August 15, 2018 to December 31, 2018 are as follows:

Loss and comprehensive loss of an associate from August 15 to December 31, 2018	$	144
Share of losses of an associate		—
Historical cost of the investment in an associate		1,204
Less:		
Share of losses of an associate		—
Impairment on investment in an associate (note 24)		1,182
Carrying amount of the investment in an associate as at December 31, 2018	$	22

26. Income taxes

The income tax recovery reported in the consolidated statement of operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Current income taxes recovery	**$ (136)**	$ (348)	$ (5,822)
Deferred income taxes (recovery)	**(65)**	111	(13,815)
Income tax recovery from continuing operations	**(201)**	(237)	(19,637)
Income taxes from discontinued operations (note 6)	—	41	(382)
Total income tax recovery	**$ (201)**	$ (196)	$ (20,019)

(In thousands of Canadian dollars, except for per share amounts)

The following table provides a reconciliation of the income tax recovery calculated at the combined statutory income tax rate to the income tax recovery for both continuing and discontinued operations, recognized in the consolidated statements of operations.

	2020	2019	2018
Net loss before tax from continuing operations	**$(122,338)**	$ (234,461)	$ (259,465)
Net income before tax from discontinued operations	**3,380**	27,512	1,550
Combined Canadian statutory income tax rate	**26.5%**	26.6%	26.7%
Income tax recovery at combined income tax rate	**(31,524)**	(55,048)	(68,863)
Increase (decrease) in income taxes resulting from:			
Unrecorded potential tax benefit arising from current-period losses and other deductible temporary differences	**33,238**	31,962	29,693
Effect of tax rate differences in foreign subsidiaries	**1,101**	4,989	4,481
Non-deductible or taxable items	**(157)**	(696)	6,074
Change in tax rate	**(1,455)**	1,609	242
Write-off of previously recognized tax losses	**-**	—	22,415
Non-deductible loss (taxable gain) on debt renegociation	**-**	24,572	(8,784)
Research and development tax credit	**(494)**	(740)	(5,072)
Non-taxable gain on disposition of subsidiary (note 6)	**(896)**	(6,903)	—
Other	**(14)**	59	(205)
Income tax recovery	**$ (201)**	$ (196)	$ (20,019)

The following table presents the nature of the deferred tax assets and liabilities that make up the balance at December 31, 2020 and 2019.

	Intangible assets	**R&D expenses**	**Losses**	**Other**	**Total**
As at January 1, 2019 Deferred tax assets	$ —	$ (618)	$ —	$ 12	$ (606)
Charged (credited) to profit and loss	—	111	—	(24)	87
Derecognized - discontinued operations (note 6)	—	—	—	12	12
As at December 31, 2019 Deferred tax assets	**$ —**	**$ (507)**	**$ —**	**$ —**	**$ (507)**
Charged (credited) to profit and loss	**—**	**(65)**	**—**	**—**	**(65)**
As at December 31, 2020 Deferred tax assets	**$ —**	**$ (572)**	**$ —**	**$ —**	**$ (572)**

(In thousands of Canadian dollars, except for per share amounts)

Available temporary differences not recognized at December 31, 2020 and 2019 are as follows:

		2020		2019
Tax losses (non-capital)	**$**	**569,542**	$	416,816
Tax losses (capital)		**305**		—
Unused research and development expenses		**84,556**		115,491
Undeducted financing expenses		**27,053**		21,258
Interest expenses carried forward		**32,475**		5,358
Trade and other payable		**1,640**		4,022
Capital assets		**3,392**		4,673
Intangible assets		**68,329**		81,899
Start-up expense		**5,358**		4,569
Unrealized loss on exchange rate		**5,430**		6,612
Lease obligations		**15,494**		44
Other		**1,071**		894
	$	**814,646**	$	661,636

At December 31, 2020, the Company has non-capital losses of $574,465 of which $569,542 are available to reduce future taxable income for which the benefits have not been recognized. These losses expire at various dates from 2027 to 2040 except for the non-capital losses in the U.K. and U.S. losses that arose after 2017 which do not expire. Capital losses arising in Canada can only be utilized to shelter future capital gains. At December 31, 2020, the Company also has unused research and development expenses of $86,715 of which $84,556 are available to reduce future taxable income for which the benefits have not been recognized. These deductible expenses can be carried forward indefinitely.

At December 31, 2020, the Company also had unused federal tax credits available to reduce future income tax in the amount of $19,300 expiring between 2023 and 2040. Those credits have not been recorded and no deferred income tax assets have been recognized in respect to those tax credits.

(In thousands of Canadian dollars, except for per share amounts)

The unused non-capital losses expire as indicated in the table below:

	Canada		Foreign
At December 31, 2020	Federal	Provincial	Countries
Losses carried forward expiring in:			
2027	$ 3,510	$ 3,495	$ 4,774
2028	—	—	5,526
2029	76	76	2,658
2030	977	977	5,371
2031	855	855	6,380
2032	4,215	4,208	—
2033	13,763	13,758	—
2034	20,172	22,219	2,537
2035	45,396	45,308	13,086
2036	25,800	25,695	23,296
2037	35,788	35,779	32,071
2038	18,720	18,746	—
2039	47,365	47,388	—
2040	71,964	72,036	—
	$288,601	$ 290,540	$ 95,699
Not expiring - UK	—	—	126,075
Not expiring - US (post 2017)	—	—	64,091
	$288,601	$ 290,540	$ 285,865

As a result of the conversion of the parent's debt into Liminal shares on April 23, 2019, more than 50% of the issued shares of Liminal were owned by a single shareholder at December 31, 2020. US tax rules impose restrictions that will impact how $236,701 of losses are available to shelter income in future taxation years. As a result of the US restrictions, approximately $111,834 of losses will no longer be available to the company and are not presented in the available tax loss table presented above. The utilization of the remainder of the company's available US tax losses included under Foreign tax loss carryforwards above are subject to restrictions and management is evaluating strategies to be able to benefit from them. The Company has $34,923 of U.S. tax loss carryforwards which arose after April 23, 2019 not subject to these limitations. A deferred tax asset has not been recognized for any loss carryforwards at December 31, 2020.

27. Basic and diluted earnings per share

The Company presents basic and diluted earnings per share, or EPS, data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for any bonus element.

The numbers for the average basic and diluted shares outstanding for all the periods presented in the consolidated statements of operations have been adjusted in order to reflect the effect of the bonus element of the Rights Offering that occurred in June 2019 and the share consolidation that took place on July 5, 2019 (note 18).

For the years ended December 31, 2020, 2019 and 2018, all warrants, stock options and RSU were anti-dilutive since the Company reported net losses from continuing operations. The secured convertible debentures issued in 2020 are also anti-dilutive.

28. Segmented information

The Company has two operating segments at December 31, 2020 which are the small molecule therapeutics segment, and the plasma-derived therapeutics segment. In previous financial statements, the Company also presented results for the bioseparations segment but since the sale of the bioseparation business on November 25, 2019 (note 5), those operations are being presented as discontinued operations in the consolidated statements of operations. The segmented information for prior periods has been restated to present the existing segments at the reporting date.

Small molecule therapeutics: The segment is focused on the discovery and development of novel small molecule drug candidates for the treatment of patients suffering from respiratory fibrotic diseases and other fibrotic or inflammatory diseases that have a high unmet medical need. Our lead small product candidate, fezagepras, is currently being developed for idiopathic pulmonary fibrosis.

Plasma-derived therapeutics: The segment leverages Liminal's experience in bioseparation technologies used to isolate and purify biopharmaceuticals from human plasma. With respect to this second platform, the Company is focused on the development of its plasma-derived investigative drug Ryplazim® (plasminogen), or Ryplazim®, a highly purified glu-plasminogen derived from human plasma that acts as a plasminogen replacement therapy for patients deficient in plasminogen protein.

The reconciliation to the consolidated statement of operations column includes the elimination of intercompany transactions between the segments and the remaining activities not included in the above segments. These expenses generally pertain to public entity reporting obligations, investor relations, financing and other corporate office activities.

The accounting policies of the segments are the same as the accounting policies of the Company. The operating segments results include intercompany transactions between the segments which are done in a manner similar to transactions with third parties.

(In thousands of Canadian dollars, except for per share amounts)

a) Revenues and expenses by operating segments:

For the year ended December 31, 2020	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ 5	$ 2,599	$ 713	$ 3,317
Expenses				
Cost of sales and other production expenses	—	1,905	128	2,033
Manufacturing and purchase cost of product candidates used for R&D activities	106	27,427	—	27,533
R&D - Other expenses	13,107	16,239	(53)	29,293
Administration, selling and marketing expenses	3,269	6,532	28,751	38,552
Segment loss	$ (16,477)	$ (49,504)	$ (28,113)	$ (94,094)
Gain on foreign exchange				(668)
Finance costs				8,982
Gain on extinguishments of liabilities				(79)
Change in fair value of financial instruments measured at fair value through profit or loss				(850)
Impairment losses				20,859
Net loss before income taxes from continuing operations				$ (122,338)
Other information				
Depreciation and amortization	$ 1,007	$ 6,735	$ 705	$ 8,447
Share-based payment expense	2,153	558	3,523	6,234

For the year ended December 31, 2019	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ 34	$ 4,736	$ 134	$ 4,904
Cost of sales and other production expenses	—	2,633	130	2,763
Manufacturing and purchase cost of product candidates used for R&D activities	132	37,107	(195)	37,044
R&D - Other expenses	15,419	22,366	285	38,070
Administration, selling and marketing expenses	4,709	8,368	32,206	45,283
Segment loss	$ (20,226)	$ (65,738)	$ (32,292)	$ (118,256)
Gain on foreign exchange				(1,451)
Finance costs				14,056
Loss on extinguishments of liabilities				92,374
Change in fair value of financial instruments measured at fair value through profit or loss				(1,140)
Impairment losses				12,366
Net loss before income taxes from continuing operations				$ (234,461)
Other information				
Depreciation and amortization	$ 779	$ 7,400	$ 679	$ 8,858
Share-based payment expense	4,782	4,390	12,369	21,541

(In thousands of Canadian dollars, except for per share amounts)

For the year ended December 31, 2018	Small molecule therapeutics	Plasma-derived therapeutics	Reconciliation to statement of operations	Total
Revenues	$ —	$ 24,521	$ 112	$ 24,633
Cost of sales and other production expenses	—	25,297	410	25,707
Manufacturing and purchase cost of product candidates used for R&D activities	1,692	37,107	(132)	38,667
R&D - Other expenses	14,234	31,727	230	46,191
Administration, selling and marketing expenses	3,522	10,393	15,533	29,448
Segment loss	$ (19,448)	$ (80,003)	$ (15,929)	$ (115,380)
Loss on foreign exchange				4,696
Finance costs				22,041
Gain on extinguishments of liabilities				(33,626)
Share of losses of an associate				22
Impairment losses				149,952
Change in fair value of financial instruments measured at fair value through profit or loss				1,000
Net loss before income taxes from continuing operations				$ (259,465)
Other information				
Depreciation and amortization	$ 480	$ 3,644	$ 415	$ 4,539
Share-based payment expense	1,270	1,524	3,606	6,400

Information by geographic area

b) Capital, intangible and right-of-use assets by geographic area

	2020	2019
Canada	**$ 28,231**	$ 48,309
United Kingdom	**2,092**	3,141
United States	**12,517**	17,121
	$ 42,840	$ 68,571

c) Revenues by location from continuing operations

	2020	2019	2018
United States	**$ 2,073**	$ 3,023	$ 22,854
Canada	**672**	1,881	1,519
United Kingdom	**572**	—	—
Norway	—	—	260
	$ 3,317	$ 4,904	$ 24,633

Revenues are attributed to countries based on the location of customers.

The Company derives significant revenues from certain customers. During the year ended December 31, 2020, there is one customer in the plasma-derived therapeutics segment who accounted for 63% of total revenue from continuing operations. During the year ended December 31, 2019, there were two customers in the Plasma-derived therapeutics segment who accounted for 97% (62% and 35% respectively) of total revenue from continuing operations. For the year ended December 31, 2018, there were two customers in the Plasma-derived therapeutics segment who accounted for 93% (57% and 36% respectively) of total revenues for continuing operations.

29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below and in other notes accordingly to the nature of the transactions. These transactions have been recorded at the exchange amount, meaning the amount agreed to between the parties.

Following the debt modification on November 14, 2018, the Company assessed whether SALP, the holder of the debt, had gained significant influence for accounting purposes, despite holding less than 20% of voting rights. The Company deemed that qualitative factors were significant enough to conclude that the holder of the debt had gained significant influence over the Company and had become a related party. SALP subsequently became Liminal's parent Company following the debt restructuring completed on April 23, 2019.

All material transactions with SALP are disclosed in notes 15, 16, 17a, 19a and 19c where the transactions are disclosed and otherwise in this note.

During the year ended December 31, 2020, the Company recorded an interest expense and paid interest on the loan with its parent, SALP, of $2,121 and of $1,879 respectively ($7,831 and $7,831, respectively for the year ended December 31, 2019). The Company also recorded professional fee expenses, incurred by the parent and recharged to the Company, during the year ended December 31, 2019 of $469, all of which were paid as of December 31, 2019, $nil for the year ended December 31, 2020.

A former CEO had a share purchase loan outstanding in the amount of $400 at December 31, 2018. The loan bore interest at prime plus 1% and had a maturity date of the earlier of (i) March 31, 2019 or (ii) 30 days preceding a targeted Nasdaq or New York Stock Exchange listing date of Liminal's shares. As part of the settlement agreement concluded in April 2019 with a former CEO of the Company, common shares held in escrow as security for a share purchase loan of $400 were released and the loan extinguished in exchange for the receipt of a payment of $137, representing the fair value of the shares at the time of the settlement.

(In thousands of Canadian dollars, except for per share amounts)

30. Compensation of key management personnel

The Company's key management personnel comprise the external directors, officers and executives which included 20 individuals in 2020, 28 individuals in 2019 and 25 individuals in 2018. The remuneration of the key management personnel during the years ended December 31, 2020, 2019 and 2018 was as follows:

	2020	2019	2018
Current employee benefits[1)]	**$ 6,153**	$ 10,083	$ 5,953
Pension costs	**115**	267	268
Share-based payments	**4,917**	16,842	3,685
Termination benefits	**319**	2,919	3,651
	$ 11,504	$ 30,111	$ 13,557

[1)] Current employee benefits include salaries, bonuses, other employee benefits other than those listed in the table and director fees paid in cash.

31. Commitments

Royalties

SALP has a right to receive a 2% royalty on future revenues relating to patents of a specified small molecule product candidate and analogues, existing as of the date of the agreement was signed. The obligation under this royalty agreement is secured by all the assets of the Company until the expiry of the last patent covered by this agreement, anticipated in 2033.

In the normal course of business, the Company enters into license agreements for the market launching or commercialization of products. Under these licenses, including the ones mentioned above, the Company has committed to pay royalties ranging generally between 0.5% and 12.0% of net sales from products it commercializes and 3% of license revenues in regard to certain small molecule product candidates.

Other commitments

The Company signed a long-term manufacturing contract with a contract development and manufacturing organization, or CDMO, which provides the Company with additional manufacturing capacity. In connection with this contract, the Company has committed to a minimum annual spending of $9,000 for 2021 to 2030 (the end of the initial term) which includes all expenditures under the contract. As of December 31, 2020, the remaining payment under the CDMO contract was $83,700 or $38,236 after deduction of the minimum lease payments under the contract recognized in the consolidated statement of financial position as a lease liability (note 14). At December 31, 2020, total commitment remaining under the agreement with the CDMO that are not recognized in the lease liability are as follows:

	Within 1 year	**2 - 5 years**	**Later than 5 years**	**Total**
CDMO operating expense commitment	4,691	17,431	16,114	38,236

The Company has one plasma purchase agreement whereby it has committed to purchase $7,071 of plasma in the year ended December 31, 2021.

32. Financial instruments and financial risk management

a) Fair value

As at December 31, 2020 and 2019, the fair value of financial liabilities for which fair value disclosure is required was the royalty payment obligation, the licence acquisition payment obligations and the long-term debt. The fair value of those liabilities approximated the carrying amount of such instruments.

The fair value of financial liabilities at December 31, 2020 was calculated using a discounted cash flow model and the market interest rates specific to the term of the debt instruments ranging from 8.24% to 15.05% (8.83% to 15.05% at December 31, 2019).

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash, cash equivalents, and restricted cash are considered to be level 1 fair value measurements.

The long-term receivables, royalty payment obligation, license acquisition payment obligations, and long-term debt are level 2 measurements.

The investment in convertible debt of Prothera and the warrant liability are considered to be a level 3 measurements. Further discussion regarding assumptions used in determining their fair values are discussed in notes 3, 15 and 25 respectively.

(In thousands of Canadian dollars, except for per share amounts)

b) Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and receivables. The carrying amount of the financial assets represents the maximum credit exposure.

The Company mitigates credit risk through its reviews of new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. We evaluate at each reporting period, the lifetime expected credit losses on our accounts receivable balances based on the age of the receivable, credit history of the customers and past collection experience.

Following the sale of its bioseparations business, the Company has limited product sales from its plasma-derived therapeutics segment and as such the Company's exposure to customer credit risk is limited.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows. The Company's current liquidity situation is discussed in note 1.

The following table presents the contractual maturities of the financial liabilities as of December 31, 2020:

		Contractual Cash flows				
	Carrying amount	**Less than 1 year**	**1-3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities [1)]	$ 16,835	$ 16,835	$ —	$ —	$ —	$ 16,835
Long-term portion of royalty payment obligations	107	—	51	51	229	331
Lease liabilities	33,452	7,434	13,957	13,328	30,725	65,444
Long-term portion of other employee benefit liabilities	206	—	206	—	—	206
Long-term debt [2)]	40,532	3,945	10,649	40,353	—	54,947
	$ 91,132	$ 28,214	$ 24,863	$ 53,732	$30,954	$137,763

[1)] Short term portions of the royalty payment obligations and of other employee benefit liabilities are included in the account payable and accrued liabilities.

[2)] Under the terms of the consolidated loan agreement (note 16), SALP may decide to cancel a portion of the principal value of the loans as payment upon the exercise of their 168,735 warrants #10 and 3,947,367 November 2020 warrants. The maximum repayment due on the loans have been included in the above table.

Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its financial instruments.

(In thousands of Canadian dollars, except for per share amounts)

i) Interest risk

The Company's interest-bearing financial liabilities have fixed rates and as such, there is limited exposure to changes in interest payments as a result of interest rate risk.

ii) Foreign exchange risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has had operations in the U.S. and the U.K. during the past years and therefore a portion of its expenses incurred are in U.S. dollars and in pounds sterling (£). The majority of the Company's revenues that are part of its continuing operations have been in U.S. dollars which serve to mitigate a portion of the U.S. foreign exchange risk relating to the expenditures. Financial instruments that have exposed the Company to foreign exchange risk have been cash and cash equivalents receivables, trade and other payables, lease liabilities, licence payment obligations and the amounts drawn on the US$ credit facility. The Company manages foreign exchange risk by holding foreign currencies it received to support forecasted cash outflows in foreign currencies.

As at December 31, 2020 and 2019, the Company's net exposure to currency risk through assets and liabilities denominated respectively in US$ and £ was as follows:

	2020		2019	
Exposure in US$	**Amount in U.S. dollar**	**Equivalent in full CDN dollar**	Amount in U.S. dollar	Equivalent in full CDN dollar
Cash and cash equivalents	**17,281,338**	**22,018,153**	26,032,017	33,883,273
Accounts receivable	**886,211**	**1,129,121**	159,604	207,741
Other long-term assets	**45,428**	57,880	45,428	59,129
Accounts payable and accrued liabilities	**(6,023,877)**	**(7,675,022)**	(7,209,564)	(9,383,969)
Lease liabilities	**(10,918,525)**	**(13,911,293)**	(22,426,384)	(29,140,152)
Other long-term liabilities	**(162,000)**	**(206,404)**	—	—
Net exposure	**1,108,575**	**1,412,435**	(3,398,899)	(4,373,978)

	2020		2019	
Exposure in £	**Amount in £**	**Equivalent in full CDN dollar**	Amount in £	Equivalent in full CDN dollar
Cash and cash equivalents	**4,619,225**	**8,032,832**	279,840	480,233
Accounts receivable	**230,588**	**400,993**	713,078	1,223,713
Income tax receivable	**—**	**—**	5,369,467	9,214,542
Accounts payable and accrued liabilities	**(983,697)**	**(1,710,649)**	(971,763)	(1,667,642)
Lease liabilities	**(271,623)**	**(472,352)**	(350,783)	(601,979)
Net exposure	**3,594,493**	**6,250,824**	5,039,839	8,648,867

Based on the above net exposures as at December 31, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the CA$ against the US$ would result in a decrease or an increase of the consolidated net loss of approximately $141 while a 10% depreciation or appreciation of the CA$ against the £ would result in a decrease or an increase of the total comprehensive loss of approximately $625. The Company has not hedged its exposure to currency fluctuations.

33. Subsequent event

The Company is, in the course of its business, subject to lawsuits and other claims. On April 15, 2019, the Company announced its intention to enter into a series of related arrangements to restructure its outstanding indebtedness, reduce its interest and certain other payment obligations, and raise sufficient cash to build a robust balance-sheet for the next phase of its development, collectively the refinancing transactions, which included (i) an offering of common shares through private placements for gross proceeds of $75,000 (note 18a), (ii) the conversion of approximately $229.0 million of the outstanding SALP debt into common shares (note 16), (iii) the adjustment of the terms of certain outstanding warrants (note 16) and (iv) a rights offering to all shareholders whereby each shareholder received one right for each common share held (note 18a). The restructuring transaction occurred on April 23, 2019.

On March 2, 2021, the Company was served with an action instituted by multiple individual shareholder plaintiffs, or the plaintiffs, against the Company, SALP, the directors that were on the Company's Board on March 31, 2019 or on April 15, 2019, certain officers of the Company and other parties involved with the above refinancing transactions, together referred to as the defendants.

The plaintiffs allege, among other things, that, as part of the refinancing transactions, the defendants (i) undervalued certain products, (ii) reduced certain of their operational activities, (iii) artificially devalued certain assets in order for them to be written-off in the consolidated statement of financial position, (iv) conducted their business in a manner that prevented them from obtaining financing from certain parties and (v) never properly disclosed their financial difficulties, the alleged collective result of which was, among other things, that SALP and Thomvest Asset Management were able to take control of the Company to the detriment of the minority shareholders.

The plaintiffs seek almost $700 million in damages, approximately $664 million of which is based on the loss of future value of the Company's shares.

The Company believes that the plaintiffs' claims are completely without merit and intends to vigorously defend itself. Defence and settlement costs associated with such lawsuits and claims can be substantial, even when these lawsuits and claims have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have an adverse effect on the Company's operating results or financial performance. No provisions have been recorded in the consolidated financial statements in regards to these claims.