BioSyent Inc.

2019 ANNUAL REPORT

BioSyent Corporate Profile

BioSyent is a Canadian specialty pharmaceutical company focused on sourcing, acquiring or in-licensing and further developing innovative pharmaceutical and other healthcare products that improve the lives of patients and support their healthcare providers. BioSyent's strategy is focused on generating long-term growth through portfolio diversification while maintaining profitability.

Pictured from left: René C. Goehrum, President & CEO; Joost van der Mark, VP, Corporate Development; Neelu Atwal, Director, Human Resources; Navid Ashrafi, M.D., Director, Medical and Regulatory Affairs; Kevin Wilson, VP, Community and Women's Health Business Unit; Ramesh Moothan, Director, International Business Unit; Robert J. March, VP, Finance & CFO; Sharan Raghubir, Director, Hospital/Specialty Business Unit.

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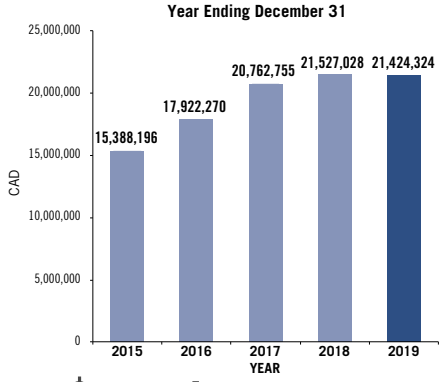
BioSyent

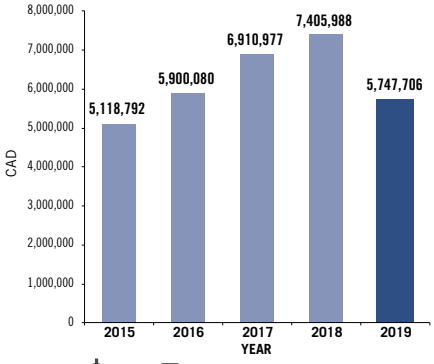
Financial Highlights

Revenue Growth
Year Ending December 31



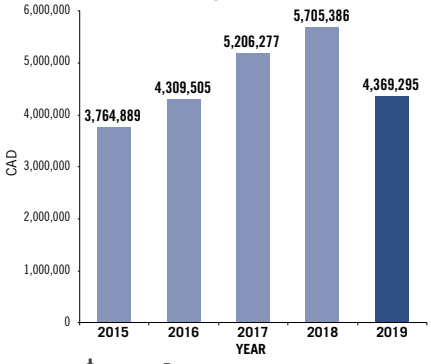
$21.4 million

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)
Year Ending December 31



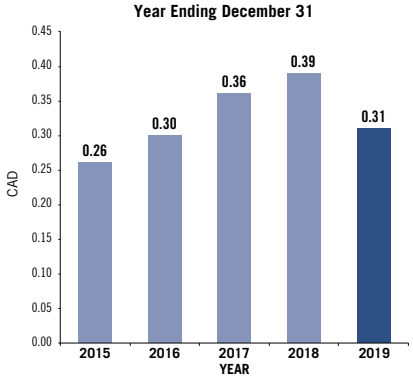
$5.7 million

Net Income After Tax (NIAT)
Year Ending December 31



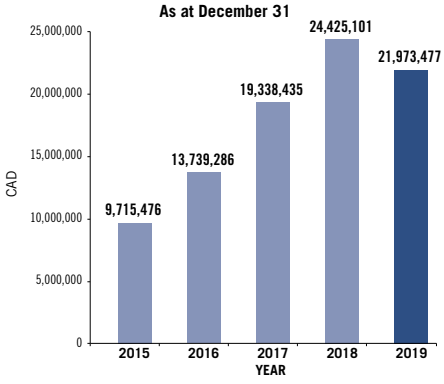
$4.4 million

Diluted Earnings Per Share (EPS)
Year Ending December 31



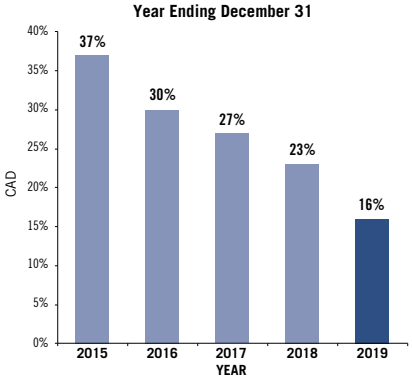
$0.31

Cash And Short-term Investments
As at December 31



$22.0 million

Return on Equity (ROE)
Year Ending December 31



16%

5 Year Comparison

Year ending December 31,	2014 (Base Year)	2019	5 Year Change
Revenue	$ 12.2M	$ 21.4M	**1.8x**
# of marketed pharma products	5	8	**1.6x**
Net Income Before Tax (NIBT)	$ 4.3M	$ 5.9M	**1.4x**
Cash	$ 8.0M	$ 22.0M	**2.8x**
Debt	0	0	**-**
Fully Diluted Shares*	14,540,681	13,707,957	**(5.73%)**
Diluted EPS	$ 0.22	$ 0.31	**1.4x**

* Last Equity Financing: 2002

BioSyent's Business Units

Community and Women's Health Business

The Community and Women's Health Business Unit is focused on commercializing and marketing pharmaceutical products which improve family and women's health in Canada. Currently, these products include FeraMAX® 150 and FeraMAX® Powder oral iron supplements, RepaGyn® and Proktis-M® sodium hyaluronate suppositories, and Tibella® women's health product for hormone replacement therapy.

FeraMAX® 150 · FeraMAX® Powder · RepaGyn® · Proktis-M® Rectal Suppositories • Sodium Hyaluronate · Tibella® · Combogesic®

Hospital / Specialty Business

The Hospital / Specialty Business Unit markets pharmaceutical and healthcare products to Canadian hospitals and specialist clinics which improve the quality of patient care and support healthcare professionals. These products currently include Cathejell® lidocaine hydrocholoride jelly, the Aguettent System® line of pre-filled syringes for use in urgent care, and Cysview® for use in detection and management of non-muscle invasive bladder cancer.

Cathejell® · Aguettant System · Cysview® Hexaminolevulinate HCL

International Business

Through BioSyent Pharma International Inc., the International Business Unit distributes the Company's pharmaceutical products to markets outside of Canada. Currently, this business unit distributes FeraMAX® capsules and FeraMAX® Powder to a total of seven markets outside of Canada, primarily in the Middle East Region.

FeraMAX® 150 · FeraMAX® 100 · FeraMAX® Powder

Legacy Business

Through its subsidiaries, Hedley Technologies Ltd. and Hedley Technologies (USA) Inc., BioSyent operates its Legacy Business marketing Protect-It®, a bio-friendly grain insecticide used in agricultural food production for more than twenty years, to customers in Canada and the United States.

Protect-It® The Natural Choice

Letter From The Chairman

Dear fellow shareholder:

2019 marked BioSyent's 10th consecutive year of profitability. As I look back over the past decade, I am proud of the success and growth of our business. This track record of profitability has built up a strong balance sheet and given us a firm footing as we start this new decade facing the unprecedented challenges arising from the COVID-19 pandemic. COVID-19 has impacted all of our lives. As we collectively cope with these impacts, I want to thank the front-line healthcare professionals and essential workers for their strength during this time of uncertainty.

As we navigate through an evolving business environment, on behalf of the Board of Directors, I want to assure you that our commitment to the success and sustainability of our business remains stronger than ever. We have taken decisive actions to protect the health and safety of our employees as well as our customers while maintaining continuity in our business operations. We are working closely with our business partners to minimize disruptions to our supply chains and to ensure continued availability of our products on which patients and healthcare providers have come to rely.

Our strong balance sheet and year-end cash balance of $22 million put us in a firm position in managing the current challenges, but also afford us the ability to seize opportunities that may arise during this time.

We will continue to manage our financial resources judiciously in addressing the challenges of the current business environment while remaining focused on the future growth of our business.

We received Health Canada approval in 2019 for Tibella®, a product for the treatment of vasomotor symptoms in postmenopausal women. We continue to make pre-launch investments in this new product and we look forward to making it available to Canadian women in the near future.

During 2019, we also signed an exclusive agreement to bring a portfolio of new pain management products to Canada. Combogesic® combines two effective pain relief medicines in a single form. The management of pain has emerged as a major concern for healthcare providers and patients, and Combogesic® provides clinically proven double action relief from a wide range of pain. We will continue to make investments in this exciting new product as we prepare for its launch.

In addition to these new products, we will continue to deploy resources to protect and grow established brands, such as FeraMAX®, over the long-term. For the fourth consecutive year in 2019, FeraMAX® was named the #1 recommended oral iron supplement brand by both Doctors and Pharmacists in an independent national survey (EnsembleIQ Healthcare Group). One of our top priorities over the coming months is ensuring, to the greatest extent possible, that Canadian patients continue to have access to our products, including FeraMAX®.

We have continued our share buy-back program under a Normal Course Issuer Bid ("NCIB"). Since commencing our first NCIB in December 2018, we have repurchased and cancelled a total of 1,325,875 common shares to date, reducing the number of outstanding shares by more than 9%.

We will continue to seek out opportunities to enhance long-term shareholder value over the months ahead.

On behalf of BioSyent, I want to again thank the front-line healthcare professionals who have worked tirelessly to provide outstanding patient care through the COVID-19 crisis. Entering the new decade, BioSyent remains firmly committed to supporting these healthcare professionals and improving the lives of patients with our innovative products as we have done over the past decade.

Irrespective of the current challenges of COVID-19, I am optimistic about BioSyent's growth prospects and look forward to the launch of two exciting new products to the Canadian market.

On behalf of the Board of Directors,

René C. Goehrum, Chairman, President & CEO

April 13, 2020

BioSyent

Board of Directors

René C. Goehrum
Chairman of the Board of Directors

Larry Andrews
Independent Director (Compensation, Human Resources and Nominating Committee)

Larry Andrews is an accomplished senior executive with more than thirty-eight years of experience in the pharmaceutical industry. Mr. Andrews was President and CEO of Cipher Pharmaceuticals, a TSX-listed Canadian pharmaceutical company, between 2004 and 2014. He previously served as President of AltiMed Pharmaceutical Company, as well as various other senior leadership roles with major pharmaceutical companies, including Hoffman La Roche, Janssen Pharmaceuticals, and Eli Lilly Canada. Mr. Andrews is also the Founder and President of The Health Alliance Group, a healthcare consulting firm. Mr. Andrews holds an Honours B.Sc. from Memorial University. Mr. Andrews recently served as a Board Director for GMD Distribution Inc., a logistics service provider for the life sciences industry, which was acquired by McKesson Canada in 2017.

Joseph Arcuri
Independent Director (Audit Committee, Disclosure Policy Committee)

Joseph Arcuri, CPA, CA, is currently Chief Financial Officer of NRStor Inc., which provides energy storage project development and construction services. He previously served as Executive Vice President, Operations and Finance, Content Group, at St. Joseph Communications, a marketing communications firm. Between 2013 and 2016, Mr. Arcuri served as Chief Operating Officer and Chief Financial Officer at TableRock Media Ltd., a streaming service company. In 2012, Mr. Arcuri was Chief Financial Officer of GlassBOX Television Inc., a television service provider. Between 2007 and 2011, Mr. Arcuri was President of AOL Canada Inc., an internet service provider and previously led Bell Canada's managed services group. Mr. Arcuri started his professional career with PricewaterhouseCoopers within its assurance group and later transferred to its valuation, and mergers and acquisitions service team. He is also currently the treasurer and an executive board member of Villa Charities Inc.

Sara Elford
Independent Director (Audit Committee, Disclosure Policy Committee)

Sara Elford brings a wealth of capital markets experience and financial expertise to the Board of Directors. She has enjoyed a long career in Canadian capital markets as a Director and Research Analyst with a major Canadian investment firm as well as in investment banking roles with Kidder Peabody and Wood Gundy. Ms. Elford is a Chartered Financial Analyst Charterholder and holds a BBA from Bishop's University. Ms. Elford also presently serves as an Independent Director of BQE Water Inc., a TSX.V-listed company specializing in water treatment and management for metals mining, smelting and refining. Ms. Elford previously served as an Independent Director of Pure Technologies Ltd., a TSX-listed infrastructure technology company; Carmanah Corporation, a TSX-listed solar and LED lighting company; Hydrogenics Corporation, a TSX and NASDAQ-listed fuel cell and hydrogen generation design and manufacturing company; and, TSO3 Inc., a TSX-listed healthcare technology company.

Continued…

Peter Lockhard
Independent Director (Lead Director, Compensation, Human Resources and Nominating Committee)

Peter Lockhard has extensive senior management experience with successful high-growth companies in the IT and marketing services industries, including VP Professional Services of Flo Network, a permission-based e-messaging service provider (acquired by DoubleClick, which is now a subsidiary of Google). Mr. Lockhard currently serves as the Chief Operating Officer of Points International Ltd., the global leader in reward currency management, providing multiple eCommerce and technology solutions to the world's leading loyalty brands. Mr. Lockhard is also a Managing Director of Aquiam Partners Ltd. a private equity firm, and has been a BioSyent Director since June 2002.

Stephen Wilton
Independent Director (Audit Committee, Disclosure Policy Committee)

A licensed pharmacist, Stephen Wilton earned a B.Sc. in Pharmacy from the University of Toronto and started his career working as a pharmacist in community and hospital pharmacy. After working in medical sales and marketing positions at Eli Lilly Canada he joined AstraZeneca Canada where he enjoyed a long and varied career. While at AstraZeneca, Mr. Wilton held leadership positions in Marketing where as Executive Director, he led a team managing a $300 million specialty product portfolio, as well as three other assignments as Executive Director of Business Development, Executive Director of Pricing, Reimbursment and Healthcare Solutions, and Director of Regulatory Affairs. After his seventeen year career at AstraZeneca, Mr. Wilton worked as Vice President of Pharmacy Affairs for the Canadian Association of Chain Drug Stores representing the interests of owners and pharmacists in the Canadian healthcare system. Mr. Wilton, who also holds an MBA from York University (Schulich School of Business) is presently President at Market Access Investment Advisors Inc.

Leadership Team

René C. Goehrum | President & Chief Executive Officer

René Goehrum is an experienced entrepreneur, leader and business builder with over thirty years of experience. Previously, Mr. Goehrum was the President and a co-founder of Bratch Goehrum Inc., a professional services firm that provided marketing and sales services to clients such as Procter & Gamble, Boehringer Ingelheim, Sandoz (n.k.a. Novartis), Kraft Foods, Coca Cola, and H.J. Heinz Company. He started his career with Procter & Gamble, a world leader in marketing consumer and healthcare brands. Mr. Goehrum currently also serves as the President and Managing Director of Aquiam Partners Ltd., a private equity firm.

Robert J. March | Vice President & Chief Financial Officer

Robert March is a Chartered Professional Accountant (CPA, CA), a Certified Public Accountant (CPA, Illinois), holds a MBA from St. Mary's University and a B.Sc. in Biochemistry, Microbiology and Immunology from Dalhousie University. Mr. March started his career at Ernst & Young in Audit and Assurance Services before being promoted to Manager in Transaction Advisory Services, where his experience included insolvency and restructuring as well as general transaction services such as mergers and acquisitions. Prior to joining BioSyent, Mr. March accumulated over 15 years of progressive senior management experience in highly regulated industries including insurance, transportation and consumer packaged products in both Canada and the USA.

Navid Ashrafi, M.D. | Director, Medical and Regulatory Affairs

Navid Ashrafi was educated as a Medical Doctor and practiced medicine for over eleven years before joining the pharmaceutical industry. Dr. Ashrafi has more than ten years of international experience within the pharmaceutical business in sales, marketing, and medical positions, including Business Unit Head and Country Head for the Bayer Healthcare team in Iran. His areas of expertise include developing relations with thought leaders, health authorities, and external stake holders; providing strategic guidance to the company; and coaching and leadership to the team. Navid joined BioSyent in May 2014 and leads medical, regulatory, and quality control activities at BioSyent.

Neelu Atwal | Director, Human Resources

Neelu Atwal is the Director of Human Resources for BioSyent Inc. She is responsible for overseeing the company's Human Resource function and providing leadership to the people and culture elements of the business. Ms. Atwal brings more than twenty years of progressive hands-on human resource experience in start-ups, growth businesses, and manufacturing organizations. She sets the tone for BioSyent's talent acquisition and management initiatives. Ms. Atwal holds a Bachelor's Degree in Accounting from City University of New York and Certification in Human Resources from Ryerson University in Toronto.

Ramesh Moothan | Director, International Business Unit

Ramesh Moothan manages the International Business for BioSyent. He joined BioSyent in October 2013 and is responsible for business development and market entry strategy for the company's brands outside of Canada. Mr. Moothan has over twenty years of experience managing branded pharmaceutical businesses in Latin America, Asia-Pacific, and Africa. Prior to joining BioSyent, Mr. Moothan was associated with Alkem Labs, India as Senior General Manager (International) responsible for business in emerging markets. In the past he has held progressive roles as a Medical Representative, Product Manager, Head of Representation, and Business Head. Mr. Moothan holds an Honours B.Sc. (Chemistry) and an MBA (Marketing).

Sharan Raghubir | Director, Hospital/Specialty Business Unit

Sharan Raghubir is the Director of the Hospital/Specialty Business Unit at BioSyent. He has over twenty years of pharmaceutical industry experience gained in progressive roles at Fournier Pharma (now AbbVie), and Hoffman-La Roche (Roche) Canada. At Fournier, Mr. Raghubir worked as a Medical Sales Representative, Sales Trainer, and District Manager in Canada and then General Manager (Country Head) in Asia. In Asia, he was first responsible for the respective divisions in Vietnam and Cambodia, and then Malaysia and Singapore. At Roche Canada, Mr. Raghubir was National Sales Manager, then Senior Product Manager, and finally Business Planning Manger - Strategy. Mr. Raghubir's sales and marketing management jobs at Roche included a portfolio of five hospital brands with combined sales of greater than $95 million. Mr. Raghubir holds a B.Sc. from Queen's University and a MBA from both Queen's University and Cornell University.

Joost van der Mark | Vice President, Corporate Development

Joost van der Mark is a seasoned healthcare executive with over twenty years of experience in the biopharmaceutical industry. Prior to joining BioSyent, Mr. van der Mark was the Chief Business Officer for 3D Signatures and previously, he co-founded Orphan Canada, which subsequently sold its assets to Knight Therapeutics in 2014. Mr. van der Mark has held progressive positions in clinical research, sales, marketing, market access, strategy and business development at Bayer, Sanofi, Nycomed (n.k.a. Takeda) and Knight Therapeutics. He has a M.Sc. in Physiology/Pharmacology from Western University and a MBA from York University (Schulich).

Kevin Wilson | Vice President, Community and Woman's Health Business Unit

Kevin Wilson is the Vice-President of BioSyent Pharma Inc. leading the teams that develop product strategy, market, and promote the Company's products to healthcare professionals across Canada. Mr. Wilson joined BioSyent in March 2012 and brings over twenty years of experience in healthcare sales, sales leadership and marketing across different healthcare businesses in such companies as Abbott, Searle Pharmacia, and Bayer.

New Products

Tibella®

- R_x women's health product for hormone replacement therapy
- For short-term treatment of vasomotor symptoms due to estrogen deficiency in postmenopausal women
- Approximately 60 – 80% of postmenopausal women will experience vasomotor symptoms, primarily hot flashes and night sweats★
- Health Canada approved

★ source: menopauseandU.ca

Combogesic®

- Double action of acetaminophen and ibuprofen in a single pill to provide effective relief from mild to moderate acute pain relief and fever reduction
- Superior efficacy versus acetaminophen or ibuprofen alone
- Convenience of a single pill simplifies dosage schedule
- Similar safety to acetaminophen or ibuprofen alone
- Effective in pain relief caused by various ailments
- Health Canada approved

Coming Soon!

BioSyent Inc.

Management's Discussion and Analysis

For the years ended December 31, 2019 and 2018

March 17, 2020

Introduction

The following discussion of BioSyent Inc.'s ("**BioSyent**" or the "**Company**") operations, performance and financial condition is based on the Company's audited consolidated financial statements for the years ended December 31, 2019 and December 31, 2018 ("**Consolidated Financial Statements**"), which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The discussion of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, including the notes thereto. Additional information relating to the Company, including the Consolidated Financial Statements and the accompanying notes can be found at www.sedar.com.

Forward-Looking Statements

This management's discussion and analysis ("**MD&A**") contains or incorporates forward-looking statements within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in costs and expenses, capital expenditures as well as changes in other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts, but instead represent only BioSyent's expectations, estimates, and projections regarding future events.

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Known and unknown factors could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Important assumptions, influencing factors, risks, and uncertainties are referred to in the body of this MD&A, in the press release announcing the Company's financial results for the fourth quarters and years ended December 31, 2019 and December 31, 2018 and in BioSyent's annual and interim financial statements and the notes thereto. These documents are available at www.sedar.com.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, BioSyent does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

Accounting Estimates and Accounting Policies

Effective as of January 1, 2019, the Company has adopted IFRS 16, *Leases* and has applied the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*. Please refer to Note 3 of the Consolidated Financial Statements for a summary of changes to the Company's accounting policies as well as recent accounting pronouncements impacting the Company.

The preparation of the Company's consolidated financial statements requires management to make critical judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates, and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. In the future, actual experience may differ from these estimates and assumptions.

BioSyent's significant accounting judgments and estimates include recoverability of asset carrying values, impairment of trade and other receivables, income taxes, depreciation of equipment, amortization of intangible assets, share-based payments, inventory, and determination of the transaction price in revenue recognition. For a more detailed discussion of changes to the Company's critical accounting estimates, please refer to Note 4 of the Consolidated Financial Statements.

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other companies. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing a further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under IFRS. Management uses non-IFRS measures such as Earnings Before Interest, Taxes, Depreciation and Amortization ("**EBITDA**"), Compound Annual Growth Rate ("**CAGR**") and Trailing Twelve Months Earnings per Share ("**TTM EPS**") to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors, and

other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess the Company's ability to meet future debt service, capital expenditure, and working capital requirements. The definition and a reconciliation of EBITDA, as used and presented by the Company, to the most directly comparable IFRS measures follows later in this MD&A.

Overview, Vision, Strategy, and Products

Overview

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

BioSyent's Vision

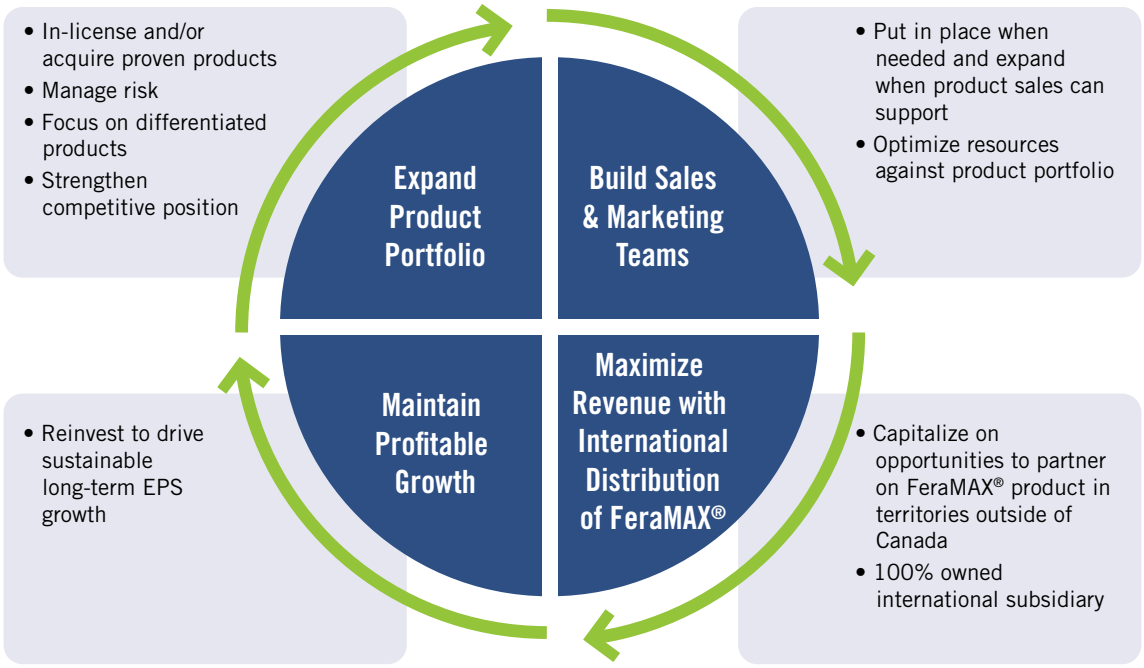
BioSyent's vision is to be the leading independent Canadian healthcare company focused on commercializing innovative products improving patient lives and supporting healthcare providers.

BioSyent is independent and does not have access to large amounts of capital or a corporate pipeline of products funded by large investments in research and development. BioSyent is focused on innovative products that are sourced through international partnerships. These products are unique due to manufacturing complexities, novel technologies, therapeutic advantages and/or strong, defendable intellectual property rights. The Company's strategy allows it to commercialize these products as brands acquired or licensed to it by partners. The Company intends for its products to be differentiated and to improve patient lives. The Company works with, and supports, healthcare practitioners in achieving this objective.

BioSyent's Strategy

BioSyent has four key elements to achieving its strategic objectives:

1. Expand the product portfolio
2. Build sales and marketing teams
3. Maximize revenue with international distribution of FeraMAX®
4. Maintain profitable growth



BioSyent has developed sourcing arrangements with partners from around the world. The Company has a flexible format for such arrangements.

The Company seeks long-term buy-sell agreements or in-licensing arrangements with or without royalties or payments linked to milestone events such as regulatory approvals or reimbursement by formularies.

The Company exercises diligence when sourcing new products. Some of the steps in this process involve reviewing market data and market trends, interviewing key healthcare practitioners or medical advisory boards and obtaining opinions on reimbursement possibilities with payers. Once the Company has decided to proceed with a new product opportunity, it acquires or licenses exclusive Canadian and/or international market rights to that product. After the acquisition or in-licensing of the product, the Company manages the product through the regulatory and product registration process and, once approved, commercializes the product in Canada and/or international markets.

The Company uses various means of reducing risk in the marketplace. The Company adopts a gradually accelerating investment approach in promoting its products in the marketplace by balancing its investment behind brands with brand revenue and growth and by segmenting the market into immediate and long-term growth opportunities. It pursues possible reimbursement avenues for its products in both the private and public sectors. The Company uses various marketing techniques throughout the product life cycle, as it deems appropriate, including healthcare practitioner detailing, direct to patient information through various media, product differentiation materials, and expansion of patient and healthcare practitioner support services to increase awareness of product efficacy and safety. The Company employs a salesforce of qualified sales professionals across Canada with experience in pharmaceutical detailing to healthcare practitioners and hospitals.

The Company focuses on medications that occupy a niche in the market and are unique due to manufacturing complexities or novel technological and therapeutic advantages or are backed by strong partners holding defendable intellectual property rights. This strategy allows the Company to market these medications as brands it owns or licenses. By virtue of its strong growth record, the Company is able to attract partners for new products that have niche positioning.

Evolution of Strategy

The Company has not engaged in clinical trials due to the risks associated with such research activities. From time to time, the Company may acquire or in-license opportunities in late-stage development with which it, or its partners, have significant prior experience. Such experience and competency of the Company and its partners give the Company the ability to gauge risk in some depth. The Company may also seek in-licensing opportunities for new products launched in countries outside of Canada that require additional research and development work before being launched in the Canadian market. The Company considers opportunities where there is a high probability that additional research and development work is likely to extend the lifecycle of portfolio products. Such studies might include in vitro or in vivo studies (including bio-equivalency studies, efficacy studies, or safety studies).

Pharmaceutical Business

FeraMAX® 150

In keeping with its strategy, the Company has, through BioSyent Pharma, launched FeraMAX® 150 to the Canadian healthcare market. FeraMAX® 150 is an oral hematinic indicated for the prevention and treatment of iron deficiency anaemia. This non-ionic polysaccharide-iron complex formulation reduces adverse side effects common with other iron formulations. Shipments of FeraMAX® 150 commenced in April 2007.

FeraMAX® 150 continues to be a strong driver of growth in the Company's domestic and international pharmaceutical business. In 2015, the Company developed and launched a new Certified Vegan formulation of FeraMAX® 150. In 2016, the Company developed a 100 mg formulation of FeraMAX® capsules ("FeraMAX® 100") for distribution in certain markets outside of Canada.

Cathejell®

In July 2011, BioSyent Pharma received marketing approval from Health Canada for Cathejell®. Cathejell® was in-licensed by BioSyent Pharma from Pharmazeutische Fabrik Montavit. Shipments of Cathejell® commenced in May 2012. In April 2017, BioSyent Pharma extended its in-license agreement with Pharmazeutische Fabrik Montavit, giving BioSyent Pharma exclusive Canadian rights to the Cathejell® product until March 31, 2024.

Cathejell® is an innovative pharmaceutical product that combines a sterile gel with lidocaine in a unique collapsible applicator syringe providing a safe and effective solution for patients to ease the discomfort of a range of medical procedures. Cathejell® is indicated for surface anesthesia and lubrication for various procedures including male and female cystoscopies, catheterizations and other endourethral operations, endoscopies, proctoscopies, rectoscopies, and tracheal intubations.

Cathejell® can also be used for the symptomatic treatment of pain in connection with cystitis and urethritis. Cathejell® has a unique collapsible syringe design with a trauma-free applicator tip that makes it easy to use for healthcare professionals and makes the application of the drug more comfortable for the subject patient.

FeraMAX® Powder

In July 2012, BioSyent Pharma received marketing approval from Health Canada for its unique new oral iron supplement FeraMAX® Powder. FeraMAX® Powder is the only oral iron product available in Canada in a dissolvable powder and comes in pleasant tasting grape and raspberry flavoured crystals, which can be conveniently dosed by diluting them in water or mixing them with soft foods. This innovative product is based upon the same non-ionic polysaccharide-iron complex technology found in FeraMAX®150.

Other oral iron products made from common ferrous salts intended for infants and children either have an unpleasant heavy metallic taste which deters patient compliance, or they come in formulations containing alcohol which healthcare professionals and caregivers prefer to avoid. The Canadian market launch of FeraMAX® Powder in May 2013 was the global introduction of this product and provides BioSyent Pharma with a unique offering for international marketing partners. The Company has also launched the product in several international markets through distribution agreements.

Aguettant System®

In August 2012, BioSyent Pharma signed an exclusive Licensing and Distribution Agreement (the "**Aguettant Agreement**") with Laboratoire Aguettant S.A.S. ("**Laboratoire Aguettant**"). Pursuant to the Aguettant Agreement, the Company in-licensed three pre-filled syringe ("**PFS**") products which are medical syringes pre-filled with a specific dosage of medication and marketed to hospitals and acute care settings.

The Aguettant System® for PFS offers a patented innovation that can be used for a variety of injectable medications. The Aguettant System® for PFS features a needleless, glassless, sterile plastic syringe with a ready-to-use dual tamper-evident seal. These products provide hospitals, clinics and healthcare professionals with improved patient safety as well as operational efficiencies.

Aguettant System® – Atropine Sulphate

One Aguettant System® urgent care product contains atropine sulphate, a commonly used drug in emergency situations and anaesthetic procedures. The Company launched this product in February 2015 as the first of three drugs for use in urgent care.

Aguettant System® – Phenylephrine Hydrochloride

In May 2016, the Company received approval from Health Canada for a new urgent care product, phenylephrine hydrochloride injection, for use in Aguettant System® PFS in hospitals and acute care settings. Phenylephrine hydrochloride injection is indicated for the treatment of clinically important hypotensive states, including overcoming peripheral vascular failure (shock, or shock-like states), maintenance of blood pressure in the setting of anesthesia, drug-induced hypotension, or hypersensitivity with circulatory compromise. The Company commenced distribution of this product in November 2016.

Regulatory work on a third urgent care PFS product was suspended by the Company in 2017.

RepaGyn®

In October 2013, the Company signed an exclusive Canadian Licensing and Distribution Agreement with Farma-Derma s.r.l. (the "**RepaGyn Agreement**"). Pursuant to the RepaGyn Agreement, the Company distributes a women's health product, RepaGyn®, which is an innovative vaginal suppository that has received approval from Health Canada. RepaGyn® helps relieve dryness and promotes healing of the vaginal mucosa. It is also recommended in situations where tissue repair is required after invasive vaginal surgeries and biopsy procedures. RepaGyn® vaginal suppositories can be used with or without local hormone therapy.

RepaGyn® is formulated with sodium hyaluronate, a naturally occurring compound, and offers a hormone-free treatment alternative proven to deliver symptom relief, restoration of pH balance and tissue repair all in one ovule.

RepaGyn® is supported by clinical evidence of both efficacy and symptom relief and has been recommended by doctors and successfully used by women in several European countries including Italy, France, Belgium, Switzerland, Denmark and Poland for over 10 years under the brand names Cicatridine®, Cicatridina®, Cikatridina®, and Repadina®.

Proktis-M®

In March 2014, the Company entered into an in-licensing agreement for exclusive marketing and distribution rights in Canada of Proktis-M® rectal suppositories with Farma-Derma s.r.l. Proktis-M® rectal suppositories are designed to help the healing of the anus and rectum. Proktis-M® rectal suppositories, which were launched by the Company in November 2014, have been studied and tested in conditions such as operated severe internal hemorrhoids, anal fissures, and prevention of radiation-induced proctitis.

Proktis-M® rectal suppositories are formulated with sodium hyaluronate, a naturally occurring compound, and offer a temporary matrix to facilitate cell proliferation which enhances wound healing. Proktis-M® rectal suppositories can be used on their own or in combination with other products. Proktis-M® rectal suppositories are supported by clinical evidence and have been successfully used to treat men and women in several European countries.

Cysview®

In August 2015, BioSyent Pharma signed a Distribution and Supply Agreement with Photocure ASA granting BioSyent Pharma an exclusive license to import, promote and sell the Cysview® product in Canada.

Cysview® is a patented, innovative technology that aids in the diagnosis and management of non-muscle-invasive bladder cancer. It is designed to selectively target malignant cells in the bladder and induce fluorescence during cystoscopic procedures using a blue-light enabled cystoscope. This technology can lead to a 25% improvement in the detection of bladder cancer tumors as compared with traditional white light cystoscopy (Burger et al. 2013), leading to a reduced risk of recurrence. Cysview® has been successfully marketed in the U.S. and Europe and was approved by Health Canada in January 2015. The Company commenced the Canadian promotional launch of Cysview® in November 2015.

Tibella®

In November 2016, the Company signed an exclusive License and Supply Agreement with a European partner for a prescription product in the women's health therapeutic area for the Canadian market – Tibella®. Tibella® is a hormone replacement therapy ("HRT") consisting of tibolone. Tibella® is indicated for the short-term treatment of vasomotor symptoms due to estrogen deficiency in postmenopausal women, more than one year after menopause. Tibolone has been approved and marketed in Europe for over 30 years and is also approved and marketed in other countries around the world.

The Company received regulatory approval from Health Canada for Tibella® in May 2019 and is currently preparing for the launch of this product to the Canadian market in 2020. In Canada, Tibella® belongs in a sub-segment of the women's health market valued at approximately CAD $200 million (source: IQVIA market data for the 12 months ending December 2018).

Cardiovascular Products

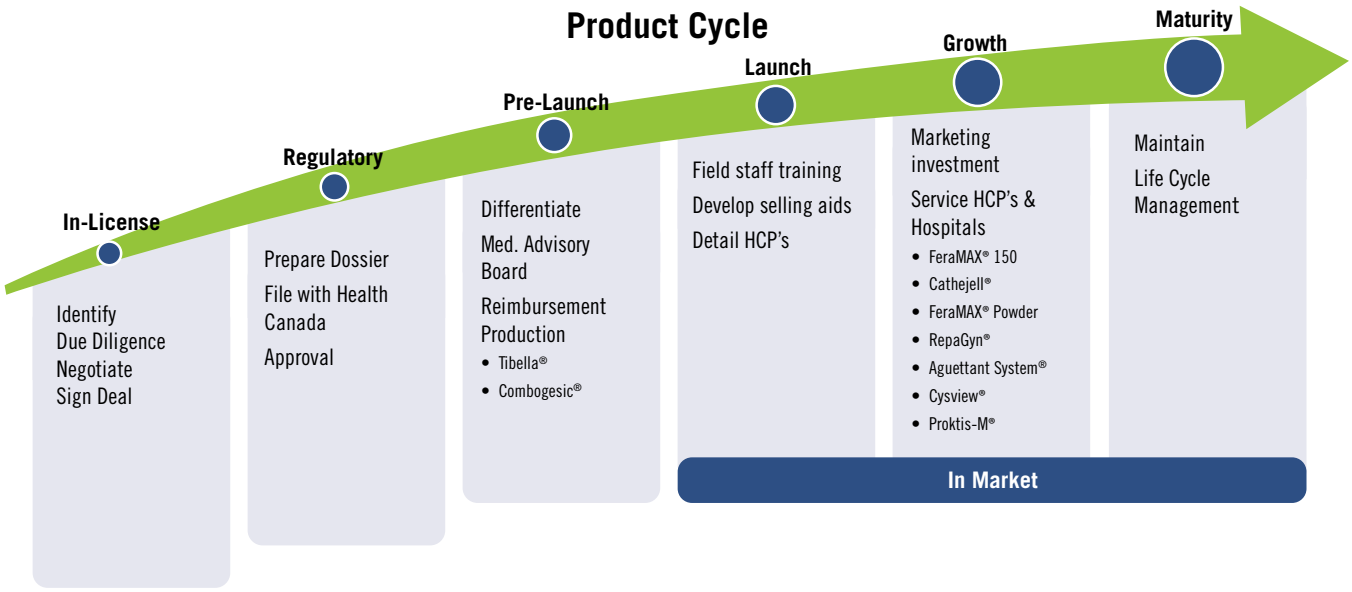
In May 2016, the Company signed an exclusive Distribution Agreement with a European partner for two products in the cardiovascular therapeutic area for the Canadian market. The Company made a submission seeking marketing approval of the products in Canada in December 2017. Although these products have been approved in Europe and in certain other markets around the world, the Company received a Notice of Deficiency from Health Canada in respect of its regulatory submission in April 2019. In June 2019, as a result of the issues raised by Health Canada, the Company and its European partner decided to withdraw the regulatory submission for these two products. There are no current plans to take any further steps to obtain regulatory approval of these products in Canada.

Combogesic®

In November 2019, the Company signed a License and Exclusive Supply Agreement with AFT Pharmaceuticals Ltd for a portfolio of pain management products for the Canadian market. These products will be marketed in Canada under the Combogesic® trademark. Combogesic® combines two well-known and effective medicines in a single form that has been demonstrated to synergistically provide pain relief. Health Canada approved the first form of Combogesic® in 2019. The Company is currently preparing for the launch of this product to the Canadian market.

Pharmaceutical Product Cycle

The Company organizes its product lifecycle into six stages: (i) the in-license stage, (ii) the regulatory stage, (iii) the pre-launch stage, (iv) the launch stage, (v) the growth stage, and (vi) the maturity stage.



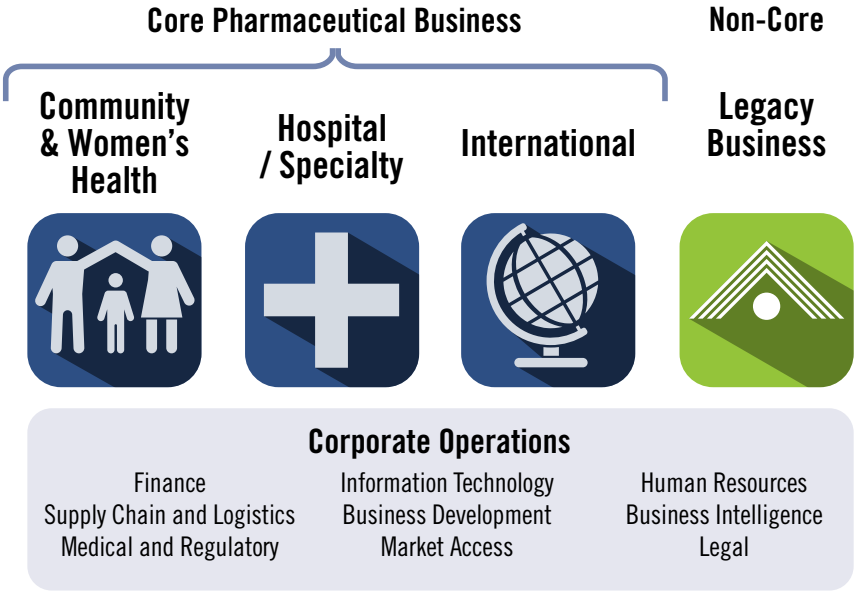
The Company currently has eight products in the growth stage (FeraMAX® 150, Cathejell® FeraMAX® Powder, RepaGyn®, Cysview®, Aguettant System® Atropine and Phenylephrine, and Proktis-M®) and two products in the pre-launch stage (Tibella® and Combogesic®).

Pharmaceutical Product Pipeline

The Company is committed to expanding its product portfolio and accelerating its product pipeline with a focus on innovative products that are unique. The Company is currently in discussions with several potential partners for new pharmaceutical product opportunities. Although launched in markets outside of Canada, some of these products may require some additional investment before the Company seeks approval from Health Canada for the Canadian market or other international government regulatory bodies for international markets.

Pharmaceutical Business Structure

The Company has three pharmaceutical business units: (i) the Community and Women's Health Business Unit which commercializes pharmaceutical products focused on improving family and women's health in Canada (the "**Community Business**"); (ii) the Hospital/Specialty Business Unit which sells pharmaceutical and healthcare products to Canadian hospitals and specialists (the "**Hospital Business**"); and (iii) the International Pharmaceutical Business Unit which sells FeraMAX® to markets outside of Canada (the "**International Business**").



These three business units, collectively, the "**Pharmaceutical Business**", are supported by the Company's Corporate Operations, including the finance, supply chain and logistics, medical and regulatory affairs, information technology, business development, market access, human resources, business intelligence, and legal functions. As the Company expands its product portfolio into new therapeutic areas, new specialty business units may be established as part of the pharmaceutical business structure as and when considered appropriate.

Legacy Business

Protect-It®

The Company continues to manufacture and market Protect-It®, a bio-friendly, non-chemical, food-safe grain insecticide. Protect-It® was developed through collaborative research between the Cereal Research Centre of Agriculture and Agri-Food Canada. Protect-It® is used as a preventative treatment against insect infestations in stored grains. The Legacy Business provides an additional source of recurring cash flows for the Company allowing it to focus on its strategic areas of growth in the Pharmaceutical Business.

New Capabilities and Awards

In May 2019, the Company's FeraMAX® brand was named the #1 Doctor and Pharmacist recommended over-the-counter oral iron supplement brand in Canada for the fourth consecutive year *(EnsembleIQ Healthcare Group: Pharmacy Practice + Business, The Medical Post, Profession Santé*, CanadianHealthcareNetwork.ca, and ProfessionSanté.ca 2019 Survey on OTC Counselling and Recommendations).

In May 2019, the Company received approval from Health Canada for Tibella®, a prescription hormone replacement therapy ("HRT") consisting of tibolone. Tibella® substitutes for the loss of estrogen production in postmenopausal women and alleviates menopausal symptoms. This drug will form part of the Company's women's health product portfolio.

In 2019, the Company's FeraMAX® and RepaGyn® products were both recognized by the Society of Obstetricians and Gynaecologists of Canada (SOGC) in its Brand Recognition Program. Such SOGC recognition is granted to products that are found to safely and effectively promote female sexual and reproductive health; and/or general female well-being; and/or safe use during pregnancy. SOGC-recognized products are independently reviewed by a panel of medical professionals.

On September 12, 2019, BioSyent was named to the Growth 500 ranking of Canada's fastest-growing companies by *Canadian Business* and *Maclean's* for the seventh consecutive year based on a five-year revenue growth rate of 176% (2013 – 2018). The Company was ranked as the 376th fastest-growing Company in Canada on the 2019 Growth 500 list.

On November 25, 2019, the Company signed a License and Exclusive Supply Agreement with AFT Pharmaceuticals Ltd for Combogesic®, which combines two pain relief medicines in a single form. Health Canada approved the first form of Combogesic® in 2019. The Company is currently preparing for the launch of this product to the Canadian market.

Key Performance Measures

Key performance measures for the fourth quarter ("Q4") ended December 31, 2019, 2018 and 2017 are summarized in the table below:

	Q4 2019	Q4 2018	Q4 2017	CAGR*
Sales	$5,569,286	$5,910,965	$5,901,488	-3%
Sales Growth %	-6%	0%	18%	-
Net Income Before Taxes	$1,669,153	$2,168,171	$1,949,447	-7%
Net Income Before Taxes Growth %	-23%	11%	25%	-
Net Income Before Taxes Margin	30%	37%	33%	-
Income Tax (Current and Deferred)	$501,308	$496,761	$492,219	-
Net Income After Taxes	$1,167,845	$1,671,410	$1,457,228	-10%
Net Income After Taxes Growth %	-30%	15%	33%	-
Net Income After Taxes Margin	21%	28%	25%	-
Net (Decrease) Increase in Cash and Short-term Investments	$2,161,146	$1,820,309	$2,829,154	-
Basic EPS	$0.08	$0.11	$0.10	-
Diluted EPS	$0.08	$0.11	$0.10	-

* CAGR - Compound Annual Growth Rate – See "Non-IFRS Financial Measures"

Sales CAGR between Q4 2017 and Q4 2019 was -3%. Net Income After Taxes CAGR was -10% between Q4 2017 and Q4 2019.

Key performance measures for the full year ("FY") ended December 31, 2019, 2018 and 2017 are summarized in the table below:

	FY 2019	FY 2018	FY 2017	CAGR*
Sales	$21,424,324	$21,527,028	$20,762,755	2%
Sales Growth %	0%	4%	16%	-
Net Income Before Taxes	$5,870,531	$7,546,806	$6,850,164	-7%
Net Income Before Taxes Growth %	-22%	10%	17%	-
Net Income Before Taxes Margin	27%	35%	33%	-
Income Tax (Current and Deferred)	$1,501,236	$1,841,420	$1,643,887	-
Net Income After Taxes	$4,369,295	$5,705,386	$5,206,277	-8%
Net Income After Taxes Growth %	-23%	10%	21%	-
Net Income After Taxes Margin	20%	27%	25%	-
Net (Decrease) Increase in Cash and Short-term Investments	$(2,451,624)	$5,086,666	$5,599,149	-
Basic EPS	$0.31	$0.39	$0.36	-
Diluted EPS	$0.31	$0.39	$0.36	-

* CAGR - Compound Annual Growth Rate – See "Non-IFRS Financial Measures"

Sales CAGR between FY 2017 and FY 2019 was 2%. Net Income After Taxes CAGR was -8% between FY 2017 and FY 2019.

Results of Operations for the three and twelve months ended December 31, 2019 and 2018

Sales

Sales Overview

Q4 2019 vs. Q4 2018

Total Company sales for Q4 2019 were $5,569,286, decreasing by 6% compared to total Company sales for Q4 2018 of $5,910,965.

Canadian pharmaceutical sales for Q4 2019 were $5,042,899 - flat compared to Canadian pharmaceutical sales for Q4 2018 of $5,035,460.

International pharmaceutical sales for Q4 2019 were $428,620, decreasing by 50% compared to International pharmaceutical sales for Q4 2018 of $850,198.

Legacy Business sales for Q4 2019 were $97,767, increasing by 286% compared to Legacy Business sales for Q4 2018 of $25,307.

FY 2019 vs. FY 2018

Total Company sales for FY 2019 were $21,424,324, decreasing marginally compared to total Company sales for FY 2018 of $21,527,028.

Canadian pharmaceutical sales for FY 2019 were $18,946,758, increasing by 2% compared to Canadian pharmaceutical sales for FY 2018 of $18,541,645.

International pharmaceutical sales for FY 2019 were $1,441,691, decreasing by 35% compared to International pharmaceutical sales for FY 2018 of $2,209,323.

Legacy Business sales for FY 2019 were $1,035,875, increasing by 33% compared to Legacy Business sales for FY 2018 of $776,060.

Quarterly Sales Trend

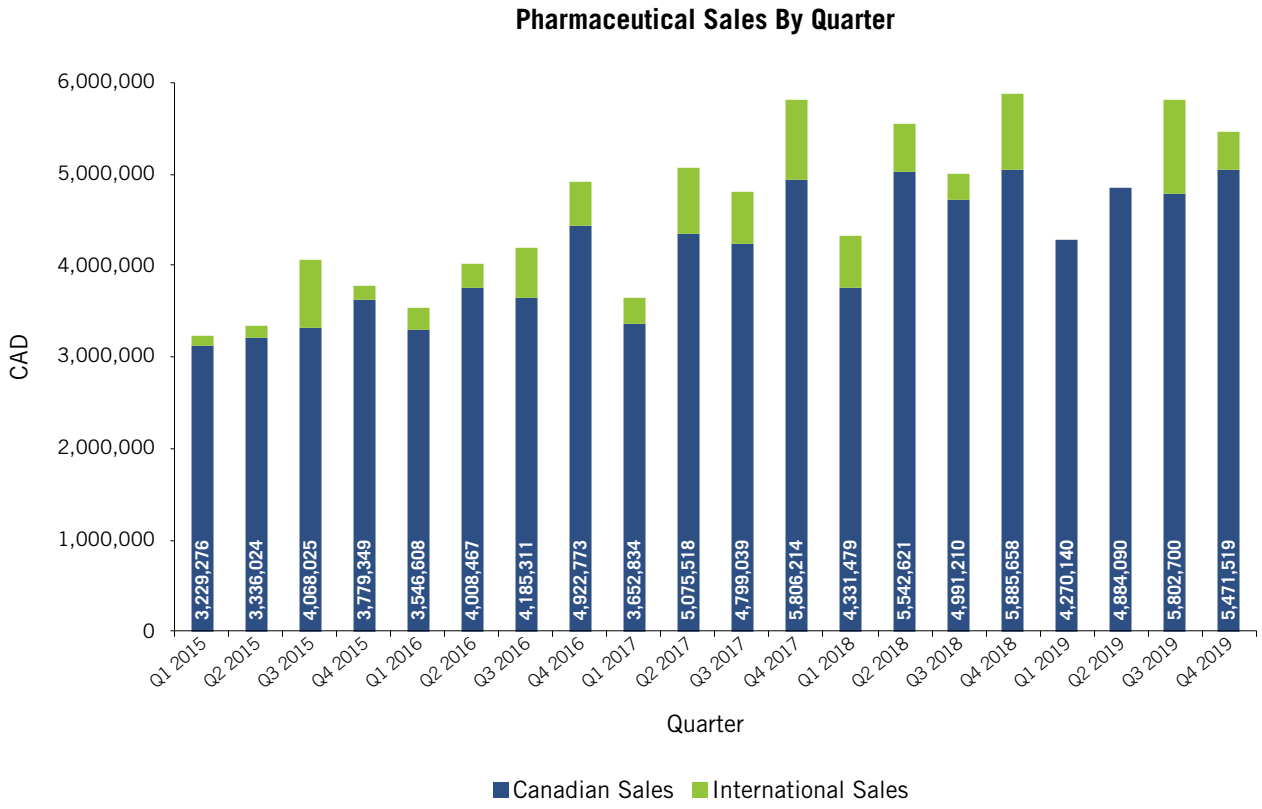
Below is a summary of the Company's sales by business for the eight most recently completed quarters:

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Sales								
Pharmaceutical Business ($)	5,471,519	5,802,700	4,844,090	4,270,140	5,885,658	4,991,210	5,542,621	4,331,479
Growth% vs. prior year period	-7%	16%	-13%	-1%	1%	4%	9%	19%
Legacy Business ($)	97,767	417,048	312,386	208,674	25,307	268,283	366,802	115,668
Growth% vs. prior year period	286%	55%	-15%	80%	-73%	-56%	-35%	-31%
Total Sales ($)	5,569,286	6,219,748	5,156,476	4,478,814	5,910,965	5,259,493	5,909,423	4,447,147
Growth% vs. prior year period	-6%	18%	-13%	1%	0%	-3%	5%	16%

Sales Mix

The Pharmaceutical Business accounted for 95% of total sales in FY 2019 while the Legacy Business accounted for 5% of total sales. This sales mix is in line with management's focus on continuing to grow the Pharmaceutical Business while supporting the Legacy Business in a limited way.

Pharmaceutical Sales Trend



Total pharmaceutical sales for Q4 2019 were $5,471,519, decreasing by 7% compared to total pharmaceutical sales for Q4 2018 of $5,885,658, which increased by 1% compared to Q4 2017. While Canadian pharmaceutical sales were flat in Q4 2019 versus Q4 2018, international pharmaceutical sales decreased by 50% in Q4 2019 versus Q4 2018.

Canadian Pharmaceutical Sales Trend:

Q4 2019 vs. Q4 2018

Canadian pharmaceutical sales for Q4 2019 were $5,042,899 – flat compared to Canadian pharmaceutical sales for Q4 2018 of $5,035,460, which increased by 2% compared to Q4 2017.

In the Community Business, Q4 2019 Canadian sales volumes (units) of FeraMAX® were flat compared to Q4 2018. Sales volumes (units) of the RepaGyn® product increased by 11% in Q4 2019 over Q4 2018.

In the Hospital/Specialty Business, although Q4 2019 sales volumes (units) of the Company's Cathejell® product were its highest quarterly sales during the year, Q4 2019 Canadian sales volumes of this product declined by 8% versus Q4 2018 as a result of competitive market conditions. Trade inventory impacted sales volumes (units) of Aguettant System® PFS products during Q4 2019, which decreased by 6% versus particularly strong Q4 2018 sales. Sales volumes (units) of the Company's growth-stage hospital product, Cysview®, increased by 17% in Q4 2019 versus Q4 2018. Although no new hospital sites were added during the quarter, six of the nine hospitals currently using Cysview® for blue-light cystoscopy re-ordered product during Q4 2019.

FY 2019 vs. FY 2018

Canadian pharmaceutical sales for FY 2019 were $18,946,758, increasing by 2% compared to Canadian pharmaceutical sales for FY 2018 of $18,541,645, which increased by 10% compared to YTD 2017.

In the Community Business, FY 2019 Canadian sales volumes (units) of FeraMAX® increased by 1% as compared to FY 2018. Sales volumes (units) of the RepaGyn® product increased by 11% in FY 2019 over FY 2018.

In the Hospital/Specialty Business, FY 2019 Canadian sales volumes (units) of the Company's Cathejell® product declined by 19% versus FY 2018 as a result of an increase in the availability of competing products in the market. FY 2019 sales volumes (units) of Aguettant System® PFS products increased by 18% versus FY 2018, driven by sales growth of the phenylephrine hydrochloride PFS product.

Although FY 2019 sales volumes (units) of Cysview® increased by 27% versus FY 2018, the rate of adoption during the year among new Canadian hospitals of this product was below management's expectations. Since introducing Cysview® to Canada in 2015, the Company has experienced a long selling cycle for this product. While there is enthusiasm for the product in the urology community in Canada, the capital cost of blue light cystoscopy equipment, budgetary constraints in publicly-funded healthcare systems, and the long evaluation and implementation cycle for blue light cystoscopy have all impeded the adoption rate of Cysview® among Canadian hospitals. Despite these challenges, management remains committed to the adoption of blue light cystoscopy using Cysview® as the standard of care for the diagnosis and management

of non-muscle-invasive bladder cancer in Canada. The Company will continue to support the Cysview® product with volume appropriate spends in key healthcare centres in Canada.

International Pharmaceutical Sales Trend:

Q4 2019 vs. Q4 2018

International FeraMAX® sales for Q4 2019 were $428,620, decreasing by 50% compared to sales for Q4 2018 of $850,198, which decreased by 2% compared to Q4 2017. Due to delays in shipping several international FeraMAX® orders in the first half of 2019 as a result of ongoing trade and currency restrictions in the Company's largest export market, a backlog of several FeraMAX® orders were all shipped in Q3 2019. These delayed shipments also negatively impacted sales in Q4 2019 as further customer orders of FeraMAX® were postponed to 2020. As a result of these ongoing transactional challenges, management expects such quarter-to-quarter variability in international FeraMAX® sales to persist during FY 2020.

FY 2019 vs. FY 2018

International FeraMAX® sales for FY 2019 were $1,441,691, decreasing by 35% compared to sales for FY 2018 of $2,209,323, which decreased by 11% compared to FY 2017. This decline in sales in 2019 was due in large part to the transactional challenges noted above which resulted in an interruption in the promotion of FeraMAX® to the Company's largest export market during the year. The decline in 2019 international FeraMAX® sales was also due, to a lesser extent, to temporary local distribution issues in another significant export market, which the Company has resolved subsequent to the reporting date. The Company is committed to expanding the international distribution of FeraMAX® by engaging local distributors in markets outside of Canada, with a focus on the Middle East and North Africa regions.

Legacy Business Sales Trend

Q4 2019 vs. Q4 2018

Legacy Business sales for Q4 2019 were $97,767, increasing by 286% compared to Legacy Business sales for Q4 2018 of $25,307 which decreased by 73% compared to Q4 2017. Canadian Protect-It® sales in Q4 2019 declined by 74% versus Q4 2018. Q4 2019 sales of the product to U.S. customers increased to $91,624 versus $1,397 in Q4 2018 as trade inventory levels in the U.S. normalized following a change in the Company's distribution model for this product earlier in the year.

FY 2019 vs. FY 2018

Legacy Business sales for FY 2019 were $1,035,875, increasing by 33% compared to Legacy Business sales for FY 2018 of $776,060 which decreased by 46% compared to FY 2017. The Company's Canadian Protect-It® sales grew by 28% in FY 2019 versus FY 2018, during which unfavourable growing conditions resulted in a delayed crop season. Sales of Protect-It® to U.S. customers in FY 2019 increased by 67% versus FY 2018 following the change in the Company's distribution model for this product during 2019.

Legacy Business customers are generally less responsive to marketing and promotion, with demand for grain insecticides influenced more by weather conditions, prices of agricultural inputs, the quality and quantity of the food grain harvest, and the level of infestation of stored grain.

Expenses

Q4 2019 vs. Q4 2018

	Three months ended December 31,		% Change vs. Prior Period
	2019	2018	
Cost of goods sold	$1,206,641	$1,409,893	-14%
Selling and marketing	$1,301,548	$1,292,591	1%
General and administration	$1,489,204	$1,161,101	28%
New business development costs	$10,832	$34,051	-68%
Finance costs	$24,472	$-	
Subtotal	$4,032,697	$3,897,636	3%
Finance income	$ (132,564)	$ (154,842)	-14%

Total expenses, including the cost of goods sold ("COGS") and finance costs, for Q4 2019 were $4,032,697, increasing by 3% over Q4 2018 expenses of $3,897,636. The ratio of total expenses to sales for Q4 2019 was 72%, as compared to a ratio of 66% in Q4 2018. This overall increase in expenses relative to sales was due primarily to impairment losses of $626,006 incurred during the quarter.

General and administration expenses for Q4 2019, including the impairment write-downs of $626,006, were $1,489,204, increasing by 28% compared to Q4 2018 general and administration expenses of $1,161,101. The impact of the impairment write-downs was partially offset with a recovery received by the Company during the quarter of certain new product dossier and filing costs.

Selling and marketing expenses for Q4 2019 were $1,301,548, increasing by 1% as compared to Q4 2018 selling and marketing expenses of $1,292,591. The ratio of selling and marketing expenses to sales for Q4 2019 was 23%, slightly higher than a ratio for Q4 2018 of 22%. This increase was due in large part to incremental marketing expenditure in advance of the Company's launch of the new Tibella® women's health product to the Canadian market. The Company will continue to make marketing and promotional expenditures on the Tibella® brand over the

course of its planned 2020 launch. The Company will also make additional selling and marketing expenditures as it prepares for the launch of Combogesic®. As a result of this incremental expenditure on these two new products, the ratio of selling and marketing expenses to sales is expected to increase in 2020 as compared to prior years.

The Company recorded incremental finance costs of $24,472 during Q4 2019 following the commencement of a new office lease in September 2019. As a result of applying the requirements of IFRS 16 *Leases,* the Company recorded a lease interest expense, which will continue on a monthly basis over the 10-year term of its lease.

Finance income for Q4 2019 was $132,564, decreasing by 14% compared to Q4 2018 finance income of $154,842. Interest income of $99,865 for Q4 2019 decreased by 9% versus Q4 2018 and realized foreign exchange gains of $32,699 for Q4 2019 decreased by 28% versus Q4 2018.

FY 2019 vs. FY 2018

	Year ended December 31,		% Change vs. Prior Period
	2019	2018	
Cost of goods sold	$4,778,069	$4,952,864	-4%
Selling and marketing	$5,750,624	$5,264,814	9%
General and administration	$5,417,376	$4,407,333	23%
New business development costs	$90,114	$107,457	-16%
Finance costs	$32,456	$-	
Subtotal	$16,068,639	$14,732,468	9%
Finance income	$ (514,846)	$ (752,246)	-32%

Total expenses including COGS and finance costs for FY 2019 were $16,068,639 as compared to total expenses for FY 2018 of $14,732,488. Total expenses for FY 2019 increased by 9% over the prior year, impacted significantly by net impairment losses on three intangible assets totalling $870,947. The ratio of total expenses to sales for FY 2019 was 75%, higher than a ratio for FY 2018 of 68%.

As a result of a decision in June 2019 to withdraw its regulatory submission to Health Canada for two cardiovascular pharmaceutical products, the Company incurred a one-time impairment loss on intangible assets of $424,941. The Company also incurred impairment losses of $626,006 during the year on the partial write-down of certain new product dossier and filing costs and the Cysview® product license. These write-downs during the year were partially offset by a recovery of certain new product dossier and filing costs. Net intangible asset write-downs for the year of $870,947 are included in general and administration expenses, which increased by 23% in FY 2019 versus FY 2018. Including intangible asset write-downs, general and administration expenses rose to a ratio of 25% of sales in FY 2019 as compared to 20% of sales in FY 2018.

Other contributors to the overall increase in general and administration expenses were incremental office relocation and deprecation expenses as a result of the relocation of the Company's head office during the year and the commencement of a new office lease accounted for under IFRS 16 *Leases,* the lease accounting standards newly adopted by the Company in 2019. As a result of this new office lease and investments in new office equipment, furniture, fixtures, and leasehold improvements, the Company's asset depreciation charge increased incrementally during the year.

Unrealized foreign exchange losses incurred during 2019 of $108,327 (versus 2018 unrealized foreign exchange gains of $110,281) also contributed to the increase in general and administration expenses during the year, as a result of a devaluation of the Company's Euro-denominated monetary assets due to downward movement in the exchange rate against the Canadian dollar during the year.

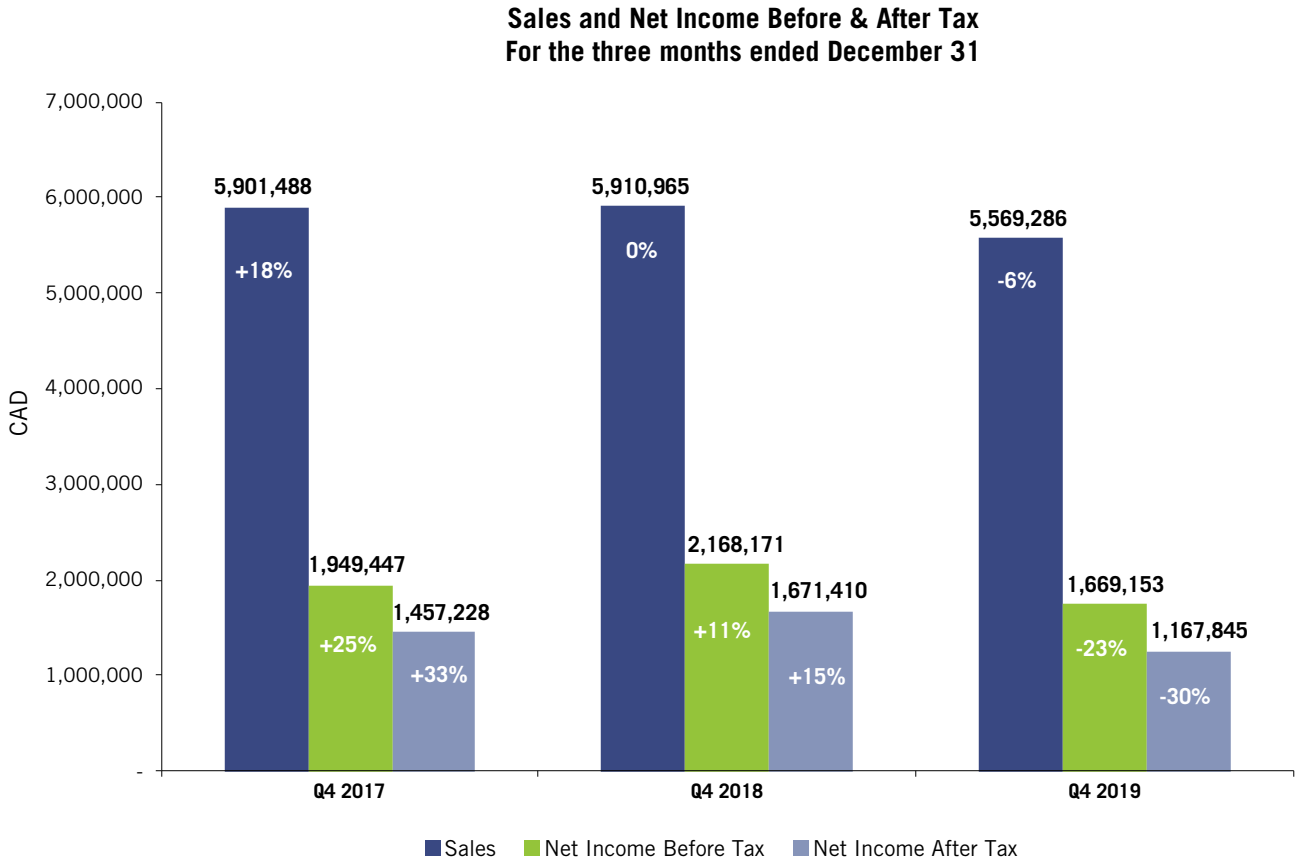
Selling and marketing expenses for FY 2019 were $5,750,624, increasing by 9% as compared to FY 2018 selling and marketing expenses of $5,264,814. Selling and marketing expenses were 27% of sales in FY 2019 as compared to 24% in FY 2018. During 2019, the Company expanded its field sales force, increased its media and promotional spends, and made significant investment in market intelligence software and data, including investments in preparation for the launch of the Tibella® product. As a result, both selling and marketing employee costs and advertising, promotion and selling costs increased by 10% in FY 2019 over the comparative period.

Finance costs for FY 2019 were $32,456, representing lease interest expense accounted for under IFRS 16 *Leases* related to the Company's head office lease which commenced in September 2019.

Finance income for FY 2019 was $514,846, decreasing by 32% compared to FY 2018 finance income of $752,246. While interest income increased by 37% in FY 2019 versus FY 2018 as the Company increased its yield on short-term GICs and other interest-bearing instruments, the Company's realized foreign exchange gains decreased by 84% as a result of greater variation in relevant foreign exchange rates during FY 2018 versus during FY 2019.

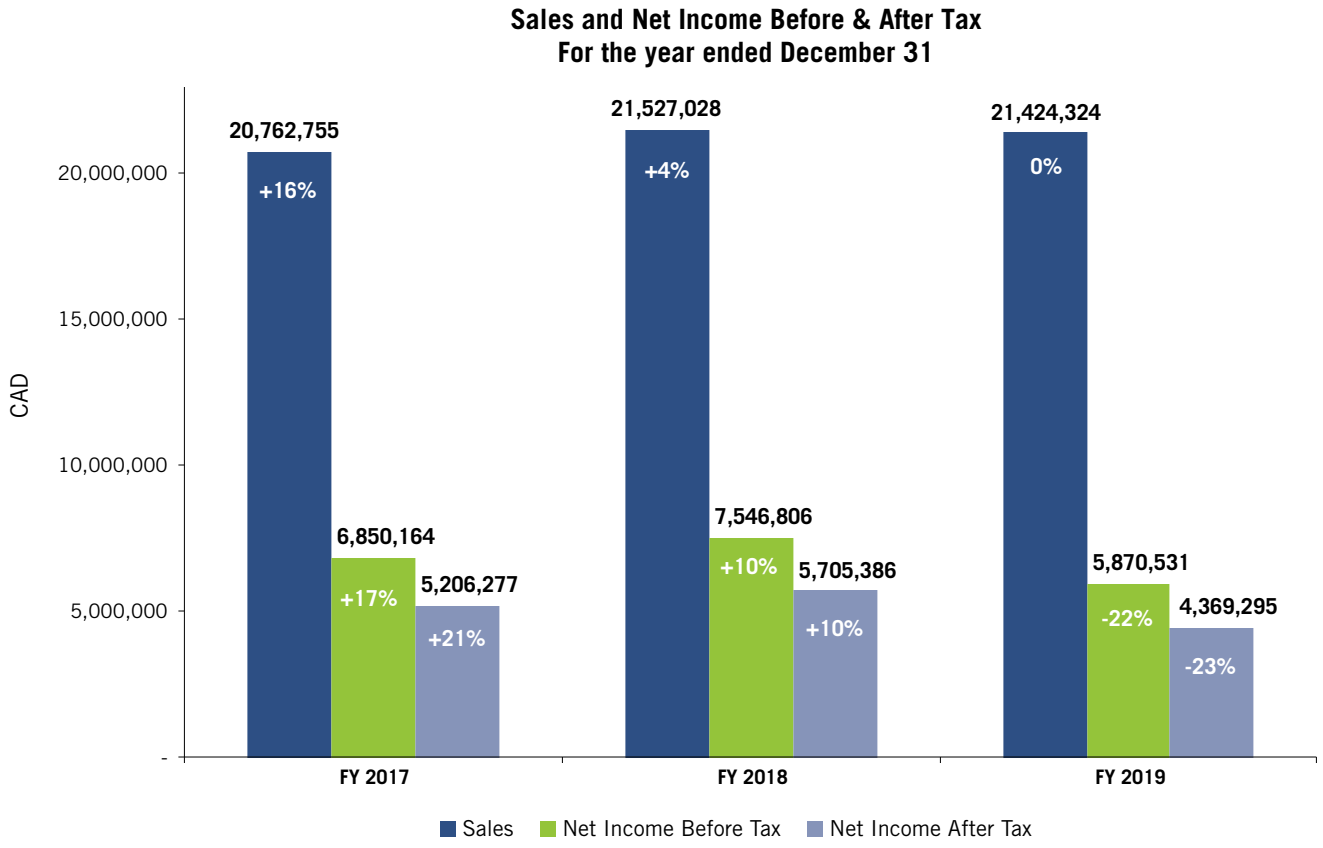
Net Income After Taxes (NIAT)

NIAT for Q4 2019 of $1,167,845 decreased by 30% compared to NIAT for Q4 2018 of $1,671,410 which increased by 15% compared to Q4 2017. This decrease in Q4 2019 NIAT was due to a decline in international FeraMAX® sales versus Q4 2018 as well as the impact of impairment losses on the write-down of intangible assets during the quarter. Overall, the Company's NIAT margin for Q4 2019 was 21%, lower than a NIAT margin for Q4 2018 of 28%.



Including currency translation losses of $97,775, total comprehensive income for Q4 2019 was $1,070,070, decreasing by 35% compared to total comprehensive income for Q4 2018 of $1,647,243.

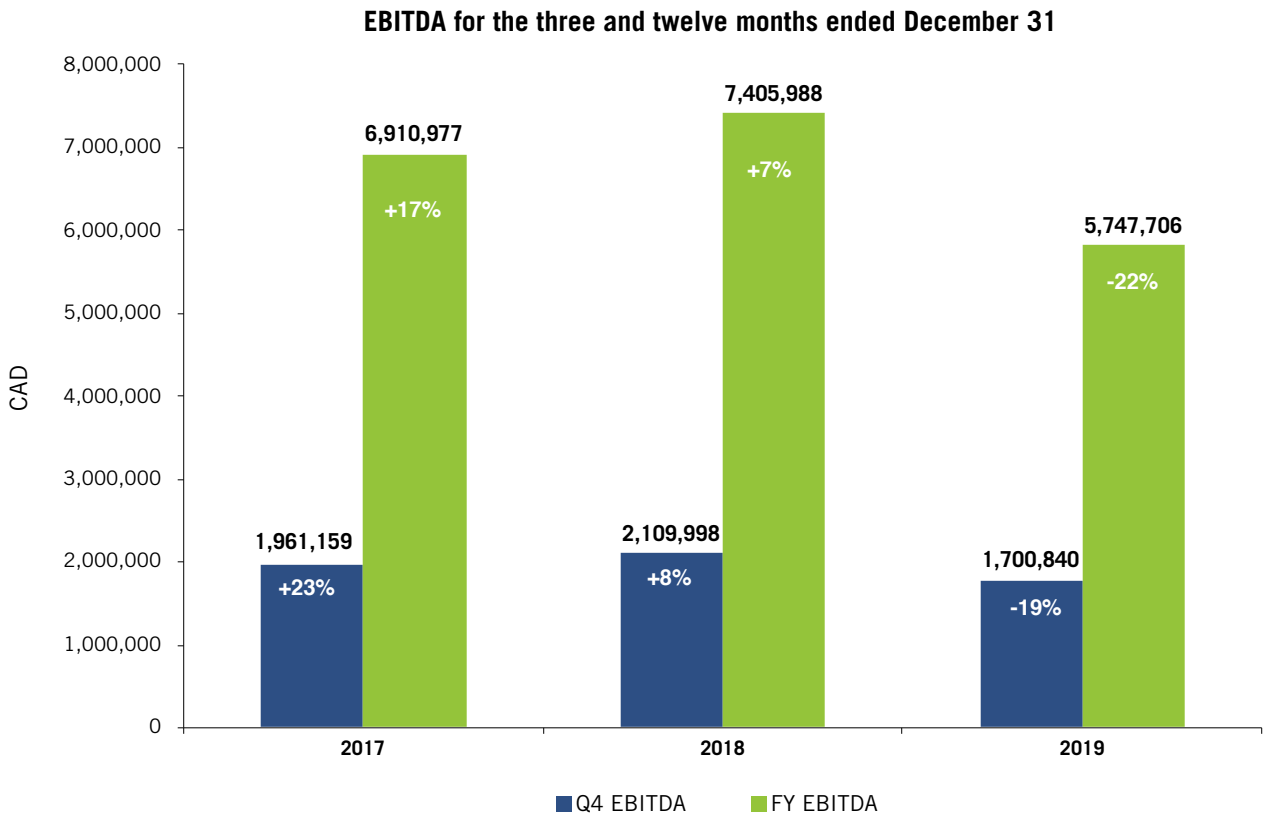
NIAT for FY 2019 of $4,369,295 decreased by 23% compared to NIAT for FY 2018 of $5,705,386, which increased by 10% compared to FY 2017. This decrease in FY 2019 NIAT was largely due to impairment losses incurred on the one-time write-off of cardiovascular products intangible assets, and write-downs of a product license and new product drug dossier intangible assets. FY 2019 NIAT was also impacted by a 35% decline in international FeraMAX® sales value, a well as a decline in realized and unrealized foreign currency exchange gains in FY 2019 versus FY 2018. Overall, the Company's NIAT margin for FY 2019 was 20%, compared to a NIAT margin for FY 2018 of 27%.



Including currency translation losses of $90,566, total comprehensive income for FY 2019 was $4,278,729, decreasing by 25% compared to total comprehensive income for FY 2018 of $5,689,748.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA is a non-IFRS financial measure. The term EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The Company defines EBITDA as earnings before interest income or expense, income taxes, depreciation and amortization. A summary of the Company's EBITDA for the three and twelve months ended December 31, 2017, 2018, and 2019 is provided in the graph below:



EBITDA for Q4 2019 of $1,700,840 decreased by 19% compared to EBITDA for Q4 2018 of $2,109,998. This decrease in EBITDA was due primarily to the decrease in the Company's NIBT of 23% in Q4 2019 versus Q4 2018. A reconciliation of EBITDA to NIAT for the quarters ended December 31, 2019, 2018, and 2017 is provided in the table below:

RECONCILIATION OF EBITDA TO NIAT
FOR THE THREE MONTHS (Q4) ENDED DECEMBER 31

		2019	2018	2017
Q4 EBITDA		$ 1,700,840	$ 2,109,998	$ 1,961,159
Add:	Interest Income	99,865	109,164	44,076
Less:	Depreciation of Property and Equipment	(81,743)	(26,494)	(26,766)
	Amortization of Intangible Assets	(25,337)	(24,497)	(29,022)
	Interest Expense	(24,472)	-	-
	Income Tax Expense	(501,308)	(496,761)	(492,219)
NIAT		$ 1,167,845	$ 1,671,410	$ 1,457,228

EBITDA for FY 2019 of $5,747,706 decreased by 22% compared to EBITDA for FY 2018 of $7,405,988. This decline in EBITDA was due primarily to the decline in the Company's NIBT of 22% in FY 2019 versus FY 2018. A reconciliation of EBITDA to NIAT for the full years ended December 31, 2019, 2018, and 2017 is provided in the table below:

RECONCILIATION OF EBITDA TO NIAT
FOR THE YEAR (FY) ENDED DECEMBER 31

		2019	2018	2017
FY EBITDA		$ 5,747,706	$ 7,405,988	$ 6,910,977
Add:	Interest Income	447,011	326,103	128,740
Less:	Depreciation of Property and Equipment	(193,578)	(87,295)	(91,563)
	Amortization of Intangible Assets	(98,152)	(97,990)	(97,990)
	Interest Expense	(32,456)	-	-
	Income Tax Expense	(1,501,236)	(1,841,420)	(1,643,887)
NIAT		$ 4,369,295	$ 5,705,386	$ 5,206,277

Earnings per Share (EPS)

Below is a summary of the Company's quarterly sales, NIAT, and EPS for the eight most recently completed quarters:

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Sales ($)	5,569,286	6,219,748	5,156,476	4,478,814	5,910,965	5,259,493	5,909,423	4,447,147
Net Income After Taxes ($)	1,167,845	1,532,426	690,843	978,181	1,671,410	1,270,613	1,620,233	1,143,130
Earnings Per Share – Basic ($)	0.08	0.11	0.05	0.07	0.11	0.09	0.11	0.08
Earnings Per Share – Diluted ($)	0.08	0.11	0.05	0.07	0.11	0.09	0.11	0.08

Diluted EPS for Q4 2019 was $0.08, decreasing by $0.03 compared with diluted EPS for Q4 2018 of $0.11.
Diluted EPS for FY 2019 was $0.31, decreasing by $0.08 compared with diluted EPS for FY 2018 of $0.39.

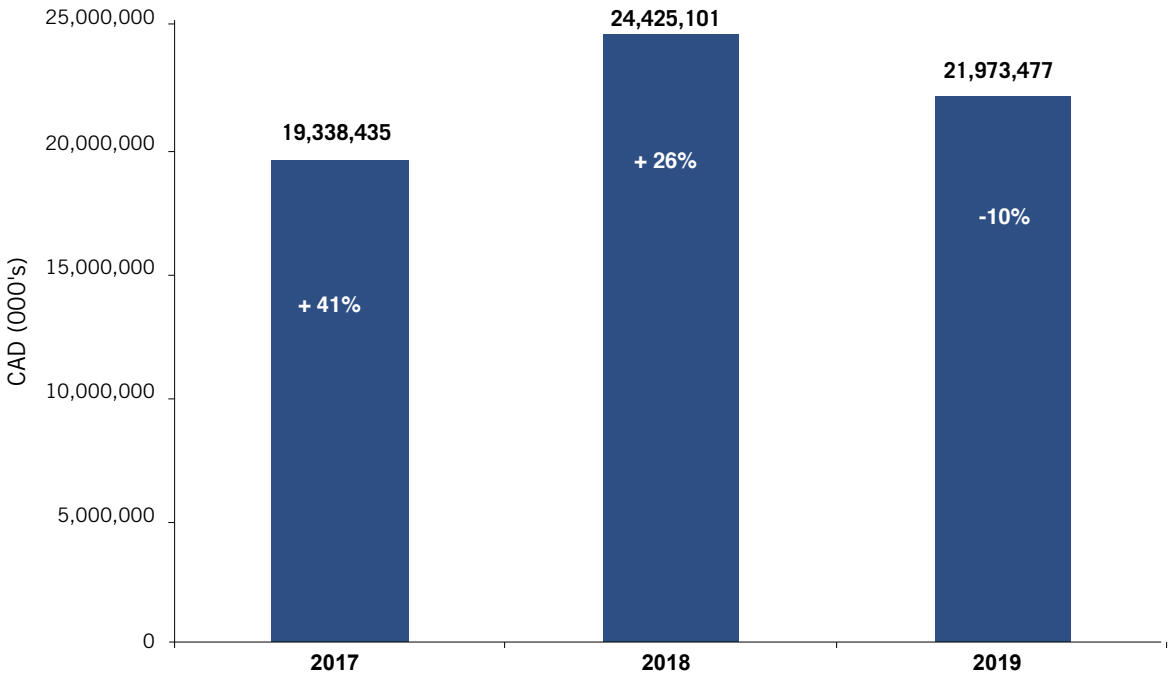
Financial Resources and Liquidity

Working capital, defined here as the difference between current assets and current liabilities, decreased by 7% from $25,138,174 as at December 31, 2018 to $23,486,067 as at December 31, 2019. Cash and short-term investments of $21,973,477 accounted for 94% of working capital as at December 31, 2019 compared to cash and short-term investments of $24,425,101 accounting for 97% of working capital as at December 31, 2018. The Company generates sufficient cash and cash equivalents from its operations to supply the working capital it requires to meet its current growth and development activities.

During FY 2019, there was a net decrease in cash and short-term investments of $2,451,624 compared to a net increase of $5,086,666 during FY 2018. This decrease in cash and short-term investments was due primarily to $6,351,603 expended during FY 2019 for the repurchase and cancellation of the Company's own common shares under a Normal Course Issuer Bid ("NCIB") as compared to $606,193 expended during FY 2018. Additionally, cash provided from operations declined to $4,771,023 in FY 2019 as compared to $6,286,598 in FY 2018. Further, the Company invested $504,336 during FY 2019 in property and equipment, including leasehold improvements, furniture and fixtures in a new head facility which the Company occupied starting in September 2019; by comparison, during FY 2018, the Company expended a total of $68,155 in additions to property and equipment.

The graph below illustrates the company's cash, cash equivalents and short-term investments as of December 31, 2017, 2018, and 2019 as well as the growth over the comparative prior year period:

Cash, Cash Equivalents and Short-term Investments at December 31



Total shareholders' equity decreased by 7% from $27,605,662 at December 31, 2018 to $25,794,510 at December 31, 2019. While the Company generated comprehensive income of $4,278,729 during FY 2019, it repurchased 908,832 of its own common shares during the period under a NCIB, reducing shareholders' equity by $6,357,850.

The Company's total assets at December 31, 2019 were $30,965,314, decreasing by 1% compared to total assets of $31,188,491 as at December 31, 2018, which increased by 24% from $25,104,848 at December 31, 2017.

The Company has no short-term or long-term debt; however, the Company has credit facilities available with Royal Bank of Canada totaling $3,090,000, including a foreign exchange facility of $1,500,000, a credit card facility of $90,000, and a revolving demand credit facility of $1,500,000 which had not been utilized as of December 31, 2019. This credit facility bears interest at a variable rate of Royal Bank prime plus 0.75% and has been secured with a General Security Agreement constituting a first ranking security interest of the Bank in the Company's property. The Company is subject to maintaining certain financial covenants if the demand credit facility is drawn upon. The Company has available additional foreign exchange facilities of $2,500,000 with other Canadian financial institutions.

Risk Management

The Company's risk management policies and financial results are presided over by the Company's Audit Committee, which reports to the Board of Directors of the Company (the "Board"). The pharmaceutical industry in which the Company operates is exposed to several risks due to a strict regulatory environment, an enhanced level of quality consciousness, competition from generic drug companies and heightened intellectual property litigation. The Company cannot predict or identify all risk factors nor can it accurately predict the impact, if any, of the risk factors on its business operations or the extent to which a factor, event or any such combination may materially change future results of the Company's financial position from those reported or projected in any forward-looking statements. Accordingly, the Company cautions the reader not to rely on reported financial information and forward-looking statements to predict actual future results.

This report and the accompanying financial information should be read in conjunction with this statement concerning risks and uncertainties. Some of the risks, uncertainties and events that may affect the Company, its business, operations and results are given in this section. However, the factors and uncertainties are not limited to those stated.

The Company has policies and practices mandated by the Board to manage the Company's risks. Such risks include the following:

1. COVID-19 (Coronavirus)

The recent outbreak of the COVID-19 (Coronavirus) pandemic could impact the Company's operations with interruptions to the Company's supply chain, including the manufacturing, transportation, and delivery of products to customers. COVID-19 could also affect the Company's workforce, access to healthcare professionals, and the consumption of its products in both hospitals and in the community. Although the Company has business continuity plans in place, the extent of the future impact of COVID-19 on its business and operations is uncertain.

2. Sourcing and Revenue Concentration

Some raw materials used in production are sourced from a single supplier and the Company is exposed to the same business risks that the supplier may experience. In line with other pharmaceutical companies, the Company sells its products primarily through a limited number of wholesalers and retail pharmacy chains.

3. Foreign Exchange Risk

The Company currently earns revenue in Canadian dollars ("**CAD**"), U.S. dollars ("**USD**"), and Euros ("EUR") and incurs costs in Canadian dollars, U.S. dollars, and Euros. Management monitors the U.S. dollar and Euro net liability position on an ongoing basis during the period and adjusts the total net monetary liability balance accordingly. When it is appropriate to de-risk future foreign exchange transactions, the Company uses Dual Currency Deposits and foreign exhange options to manage foreign exchange transaction exposure.

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

Foreign Exchange Sensitivity Analysis – USD

	December 31, 2019	December 31, 2018
Description of Asset/(Liability)	USD	USD
Cash and cash equivalents	418,262	418,338
Short term investments	1,529,178	1,133,490
Trade receivables	78,254	79,577
Less: Accounts payable	(698,811)	(609,106)
Net Total	1,326,883	1,022,299
Foreign Exchange Rate CAD per USD at the end of the year	1.2988	1.3642

At December 31, 2019, if the U.S. dollar had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $126,667 higher or lower on an after-tax basis, respectively (December 31, 2018 - $102,505 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis – EUR

	December 31, 2019	December 31, 2018
Description of Asset/(Liability)	EUR	EUR
Cash and cash equivalents	673,066	505,166
Trade receivables	-	243,905
Less: Accounts payable	(84,084)	(211,734)
Net Total	589,018	537,337
Foreign Exchange Rate CAD per EUR at the end of the year	1.4583	1.5613

At December 31, 2019, if the Euro had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $63,134 higher or lower on an after-tax basis, respectively (December 31, 2018 - $61,663 higher or lower, respectively).

This foreign currency risk sensitivity analysis is unrepresentative of the risk inherent in receivables and payables in foreign exchange because the period-end exposure does not reflect the exposure during the period.

Foreign Exchange Options:

The Company periodically enters into foreign exchange forward options with financial institutions with investment grade credit ratings to manage its foreign exchange risk on contracts denominated in U.S. dollars. Such options are classified as derivative financial instruments and measured at fair value through profit and loss. As at December 31, 2019, the Company entered into options to purchase up to a total of USD 2,550,000 and USD 3,825,000 (December 31, 2018 – USD 2,270,000 and USD 3,405,000) at an exchange rate expressed in CAD per USD of 1.3000 which will be settled on various dates from January 2020 to January 2021. The Company's right to buy USD 2,550,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.3300 to 1.3550 CAD per USD. The Company's obligation to buy USD 3,825,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below a rate of 1.2750 CAD per USD.

The fair value of foreign exchange options is estimated based on quoted values from financial institutions. The Company's foreign exchange options resulted in a derivative liability of $43,861 as at December 31, 2019 (December 31, 2018 – derivative asset of $27,344).

Dual Currency Deposits:

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

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

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

At December 31, 2018, the Company had the following CAD denominated DCD that was convertible into USD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.3566	$1,500,000	$1,507,542	3.83%	March 25, 2019	1.3300

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

4. Interest Rate Risk

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

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

5. Credit Risk

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

a. Aging of Receivables

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

Aged Trade Accounts Receivable	December 31, 2019	December 31, 2018
Current	$ 1,328,854	$ 1,386,339
Past due 1-30 days	329,815	570,614
Past due 31-60 days	80,438	47,108
Over 60 days	111,218	35,090
Expected credit loss	(35,411)	
Closing Balance	$ 1,814,914	$ 2,039,151
Maximum Credit Risk	1,850,325	2,039,151

During FY 2019, the Company recognized a bad debt expense of $1,180 (FY 2018 – 67,462) related to a trade receivable from a former customer outside of Canada, which was deemed to be uncollectible. Additionally, during the year, the Company recognized an expected credit loss of $35,411 related to a trade receivable from a Canadian pharmaceutical wholesale customer.

b. Concentration of Receivables

As of December 31, 2019, one customer represents 39% of trade receivables (December 31, 2018 - 31%) while another customer represents 19% of trade receivables (December 31, 2018 - 27%), a third customer represents 18% of trade receivables (December 31, 2018 - nil%), and a fourth customer represents 13% of trade receivables (December 31, 2018 – 2%). There have been no past defaults by any of these four customers.

c. Loans Receivable

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

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

Each MSLP participant's loan (collectively, the "MSLP Participant Loans") bears interest at a rate of 1% - 2% per annum and is secured by a pledge of the common shares purchased under the MSLP by the Borrowers.

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

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

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

d. Cash and Cash Equivalents and Short-term Investments

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

6. Liquidity Risk

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

The Company generates sufficient cash from operating activities to fund its operations and fulfill its obligations as they become due. The Company has credit facilities available with Royal Bank of Canada totalling $3,090,000, including a revolving demand credit facility of $1,500,000 which it has not drawn down as at the date hereof, a foreign exchange facility of $1,500,000, and credit card facilities totalling $90,000. The Company has available additional foreign exchange facilities of $2,500,000 with other Canadian financial institutions. The Company's funds have not been committed in any way, except as set out in Note 18 of the Consolidated Financial Statements.

7. Information Technology (IT)

The integrity, reliability, and security of information in all forms are critical to the Company's operations and inaccurate, incomplete or unavailable information could lead to incorrect financial reporting, poor decisions, privacy breaches, and/ or inappropriate disclosure of sensitive information.

The Company is reliant on the integrity of its IT systems, hardware, software and certain other IT infrastructure in maintaining business continuity and in securing proprietary and sensitive information as well as certain of its financial assets. The Company has implemented comprehensive IT security policies and controls in order to safeguard its assets and sensitive information and to maintain business continuity in the event of potential disruptions. The integrity of the Company's IT systems is exposed to a risk of malicious and unauthorized breaches by outside parties acting unlawfully. While extensive, the Company's IT security policies and controls cannot guarantee that such unauthorized breaches, whether targeted or opportunistic in nature, will not occur in the future. Such a breach could result in loss of financial assets through fraud, loss of sensitive information, reputational loss, or disruption of operations and business continuity.

The Company monitors its exposure to IT security risks on a continual basis and modifies its IT security policies, practices, infrastructure and insurance coverage as needed to address the assessed level of such risk.

8. Competition

The Pharmaceutical Business is characterized by intense competition and the Company is faced with the risk of enhanced competitive activity which may impact operational results.

9. Climatic Conditions

The Legacy Business is dependent on agricultural production which, in turn, is impacted by climatic variations which may affect demand for its products.

10. General Economic Conditions

The Company has no control over changes in inflation and interest rates, foreign currency exchange rates and controls or other economic factors affecting its businesses, including uncertainty surrounding the economic impact of disease epidemics and pandemics and the risk of supply chain interruptions related thereto, or the possibility of political unrest, legal or regulatory changes in jurisdictions in which the Company or its customers operate. These factors could negatively affect the Company's future results of operations.

11. Innovation

The competitiveness of the Company's products is subject to continuous innovation within the pharmaceutical industry. The Company tries to maintain the relevance of its products to the market but is exposed to new improved innovations that can undermine the competitiveness of its products.

12. Width of Product Portfolio

While the Company continuously strives to increase the portfolio of products in its commercialization pipeline, the high cost of acquiring new products and the long lead-time for bringing these products to market creates a dependency on a limited range of products at this time.

13. Agreements Relating to the Development and Distribution of Products

The Company currently has several collaboration or distribution agreements relating to the marketing and distribution of FeraMAX® products in international markets. The Company relies on these agreements because it does not wish to market its products directly in these markets.

The Company intends to secure additional agreements relating to the marketing and distribution of FeraMAX® and any other product for which it may receive commercial rights outside of Canada.

The Company may be unable to enter into in-licensing agreements for the development of new products and out-licensing agreements for the distribution of its existing products. The Company also faces and will continue to face, significant competition in seeking appropriate collaborators and marketing and distribution partners. Moreover, collaboration and distribution arrangements are complex and time-consuming to negotiate, document and implement.

Reliance on these agreements exposes the Company to a number of risks, including the following:

- Collaborators and marketing and distribution partners may not devote sufficient resources to the Company's products or product candidates;
- Disputes may arise with respect to payments that the Company believes are due under such distribution and collaboration agreements;
- Unwillingness on the part of collaborators and marketing and distribution partners to provide updates regarding the progress of its development, commercialization or marketing activities, or to permit public disclosure of these activities;
- Collaborators and marketing and distribution partners may terminate the relationship; disputes may arise in the future with respect to the ownership of rights to technology developed with collaborators;
- Disagreements with collaborators and marketing and distribution partners could result in litigation or arbitration;
- Collaborators may elect to pursue the development of any additional product candidates and pursue technologies or products either on their own or in collaboration with other parties, including competitors;
- Collaborators and marketing and distribution partners may pursue higher priority programs or change the focus of their programs, which could affect the collaborators' and marketing and distribution partners' commitment to their respective territories;
- Collaborators and marketing and distribution partners may develop or distribute products that compete with the Company's products; and
- The Company's pharmaceutical products are distributed to international markets where political and economic risks and uncertainties may exist. These risks and uncertainties could adversely affect the distribution of the Company's products to such markets.

The occurrence of any of these or other events may impair commercialization of the Company's products.

14. Regulatory Risks

With respect to BioSyent's Legacy Business, regulatory and legislative requirements affect the development, manufacture and distribution of BioSyent's products, including the testing and planting of seeds containing its biotechnology traits and the import of crops grown from those seeds. Non-compliance can harm sales and profitability. The failure to receive necessary permits or approvals could have near and long-term effects on BioSyent's ability to produce and sell some current and future products.

With respect to BioSyent's Pharmaceutical Business, the sale of pharmaceutical products is highly regulated, which significantly increases the difficulty and costs involved in obtaining and maintaining regulatory approval for marketing new and existing products.

Various business interruption risks inherent to the pharmaceutical industry, like product recalls, adverse drug reactions, quality issues and issues relating to good manufacturing practices may impact the financial results if they transgress regulatory boundaries.

The regulatory approval process can be long and may involve significant delays despite the Company's best efforts. There is also a risk that the Company's products may be withdrawn from the market and the required approvals suspended as a result of non-compliance with regulatory requirements.

Furthermore, there can be no assurance that the regulators will not require modification to any submissions, which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of the Company to utilize its technology, thereby adversely affecting operations. Further, there can be no assurance that the Company's products will prove to be safe and effective in clinical trials or receive the requisite regulatory approval.

15. Specific Risks

The Company has insurance policies in place against risks relating to general commercial liability, product liability, product recall, loss of Company assets, IT security, and business interruption. The Company reviews its insurance coverage on a regular basis as part of its risk management program and adjusts this coverage as appropriate, based its current risk profile and operations. The Company is exposed to the potential risk that claims made on the Company or losses incurred may be in excess of the level of insurance coverage undertaken by the Company.

Disclosure of Outstanding Share Data

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

As at March 17, 2020 the following common shares and stock options were outstanding:

	No. of Shares	Exercise Price Range
Issued and outstanding common shares	13,408,745	
Stock options	177,512	$6.20 - $ 10.97
Fully Diluted at March 17, 2020	13,586,257	

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

During this period, Company repurchased a total of 950,000 common shares, the maximum number permitted to be repurchased during the 12-month NCIB period.

On December 11, 2019, the Company announced that the TSX Venture Exchange had accepted its renewal of the NCIB for a further 12-month period ending on December 16, 2020 during which the Company would be permitted to purchase up to 800,000 of its own common shares for cancellation. The Company had repurchased 51,000 common shares under this NCIB to December 31, 2019 and a further 121,700 common shares between December 31, 2019 and the date hereof.

Commitments

Office Leases

During the year, the Company entered into a new office lease agreement which commenced on September 1, 2019 and extends to August 31, 2029.

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

Fiscal Year	Annual Rent and Occupancy Cost
April – December 2020	$ 239,190
2021	$ 358,785
2022	$ 360,542
2023	$ 364,056
2024 and Beyond	$ 2,125,914
Total	$ 3,448,486

The Company's previous office lease extension agreement expired on August 31, 2019. The Company has no further commitments related to this short-term lease.

Purchase Commitments

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

Disclosure Controls

The Company constantly endeavours to allow for greater segregation of duties and operating level controls within the constraints of its operating infrastructure. While intending to strengthen both these aspects of internal control, the Company believes that strong management supervisory controls minimize the possibility of erroneous financial reporting.

The certifying officers of the Company have opted not to certify the design and evaluation of the Company's disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"). Inherent limitations on the ability of the certifying officers to design and implement (on a cost-effective basis) DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Investor Relations Activities

Investor relations functions were accomplished through personnel whose duties include dissemination of news releases, investor communications and general day-to-day operations of the Company. Mr. René Goehrum, President and CEO, and Mr. Joost van der Mark, Vice President, Corporate Development, assist in the implementation of the Company's investor relations program.

Related Party Transactions

Key Management Personnel Compensation

The table below summarizes compensation for key management personnel of the Company for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
Number of Key Management Personnel*	6	8
Salary, Benefits, and Bonus	$1,360,493	$1,355,164
Share-Based Payments	$233,138	$237,978

*Due to personnel changes during the prior year in two key management positions, the number of key management personnel for 2018 indicated in the chart above includes both the current individuals holding these two positions as well as their predecessors.

During the year ended December 31, 2019, the Company recorded share-based payment expense of $233,138 (2018 - $237,978) related to the vesting of options granted to key management personnel under the SOP as well as the Company's contributions to the ESPP for the purchase of common shares on behalf of participating key management personnel.

During the year ended December 31, 2019, no loans were advanced to key management personnel under the MSLP (2018 – loan advances of $175,000).

Transactions with Directors

During the year ended December 31, 2019, the Company paid total fees to its directors in the amount of $142,600 (2018 - $109,200) and share-based payments of $15,899 (2018 - $108,990).

Legal Proceedings

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

Subsequent Event

In March 2020, the Company's Board of Directors approved a Restricted Share Unit ("RSU") Plan under which certain employees, officers and directors of the Company would be eligible to receive RSUs which would be settled with common shares of the Company after a specified vesting period. The adoption of the Company's RSU Plan is subject to shareholder approval. No RSUs have been granted under the RSU Plan as of the date hereof.

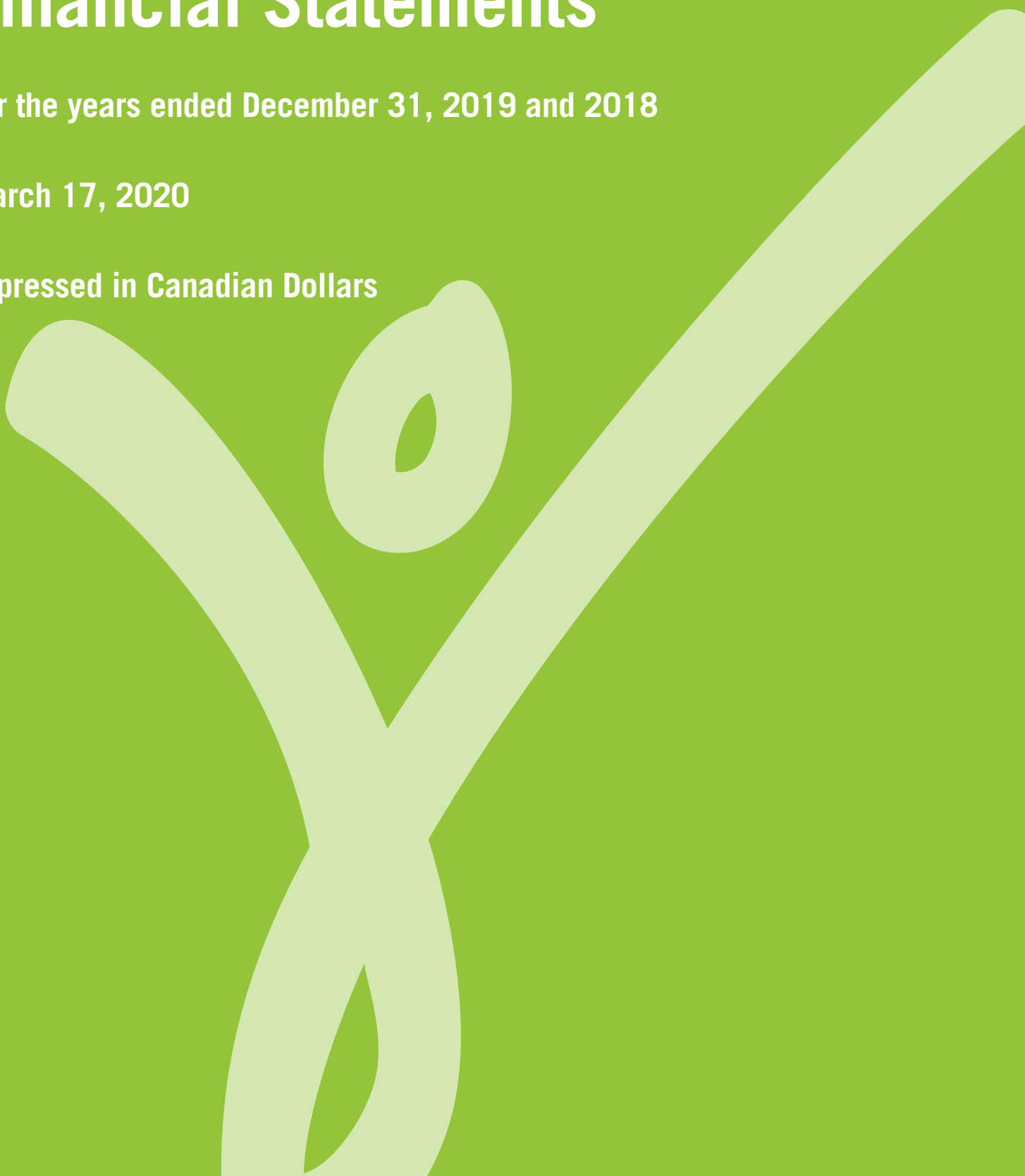
BioSyent Inc.

Audited Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

March 17, 2020

Expressed in Canadian Dollars



Management's Responsibility For Financial Reporting

To the Shareholders of BioSyent Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements for BioSyent Inc. (the "**Company**"), including significant accounting judgments and estimates in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required. The consolidated financial statements for the years ended December 31, 2019 and 2018 are compliant with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board and Audit Committee are also responsible for recommending the appointment of the Company's external auditors. The Board of Directors has approved the information contained in the accompanying consolidated financial statements.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access, and meet periodically and separately with the Board, Audit Committee and management to discuss their audit findings.

Robert March
Vice-President and Chief Financial Officer, BioSyent Inc.
March 17, 2020

Independent Auditor's Report

To the Shareholders of BioSyent Inc.:

Opinion

We have audited the consolidated financial statements of BioSyent Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
March 17, 2020

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

BIOSYENT INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

AS AT	December 31, 2019	December 31, 2018
ASSETS		
Trade and other receivables *(Note 5)*	$2,083,723	$2,115,293
Inventory *(Note 6)*	2,139,127	1,483,392
Prepaid expenses and deposits	648,781	300,821
Derivative asset *(Note 7)*	-	27,344
Short-term investments *(Note 8)*	8,531,660	7,592,332
Cash and cash equivalents *(Note 9)*	13,441,817	16,832,769
CURRENT ASSETS	26,845,108	28,351,951
Property and equipment *(Note 10)*	2,482,266	271,785
Intangible assets *(Note 11)*	1,023,378	1,942,682
Loans receivable *(Note 12)*	588,467	576,929
Deferred tax asset *(Note 22)*	26,095	45,144
TOTAL NON CURRENT ASSETS	4,120,206	2,836,540
TOTAL ASSETS	$30,965,314	$31,188,491
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$2,916,834	$2,779,672
Contract liability *(Note 3)*	99,141	112,353
Lease liability - current *(Note 13)*	144,253	-
Derivative liability *(Note 7)*	43,861	-
Income tax payable *(Note 22)*	154,952	321,752
CURRENT LIABILITIES	3,359,041	3,213,777
Deferred tax liability *(Note 22)*	102,902	369,052
Lease liability - non current *(Note 13)*	1,708,861	-
TOTAL NON CURRENT LIABILITIES	1,811,763	369,052
Share capital *(Note 14)*	7,179,617	7,654,993
Contributed surplus	1,235,549	976,957
Cumulative translation adjustment	(105,300)	(14,734)
Retained earnings	17,484,644	18,988,446
Total Equity	25,794,510	27,605,662
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$30,965,314	$31,188,491

Contingencies *(Note 17)*
Commitments *(Note 18)*
Related party transactions *(Note 19)*
Subsequent event *(Note 24)*

APPROVED ON BEHALF OF THE BOARD

René Goehrum
DIRECTOR

Peter Lockhard
DIRECTOR

March 17, 2020

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

BIOSYENT INC.
Consolidated Statements of Comprehensive Income
(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2019	2018
Net revenues from contracts with customers	$21,424,324	$21,527,028
Cost of goods sold *(Notes 6, 15)*	4,778,069	4,952,864
Gross profit	16,646,255	16,574,164
Selling, general and administration expenses *(Note 15)*	11,168,000	9,672,147
New business development costs *(Note 15)*	90,114	107,457
Operating profit	5,388,141	6,794,560
Finance costs *(Note 13)*	32,456	-
Finance income *(Note 15)*	(514,846)	(752,246)
NET INCOME BEFORE TAXES	5,870,531	7,546,806
Current income tax *(Note 22)*	1,748,337	1,747,192
Deferred tax (recovery) *(Note 22)*	(247,101)	94,228
NET INCOME AFTER TAXES	4,369,295	5,705,386
OTHER COMPREHENSIVE INCOME		
Currency translation losses	(90,566)	(15,638)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$4,278,729	$5,689,748
Basic earnings per share *(Note 16)*	$0.31	$0.39
Diluted earnings per share *(Note 16)*	$0.31	$0.39

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

BIOSYENT INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2019	2018
OPERATING ACTIVITIES		
Net income for the year	$4,369,295	$5,705,386
Items not affecting cash:		
Depreciation - property and equipment *(Note 10)*	193,578	87,296
Amortization - intangible assets *(Note 11)*	98,152	97,990
Impairment loss on intangible assets *(Note 11)*	1,050,947	65,408
Bad debts	36,591	67,462
Share-based payments *(Note 14)*	263,245	390,388
Change in derivative asset/liability	71,205	(103,806)
Current income tax	1,748,337	1,747,192
Deferred tax	(247,101)	94,228
Cash paid for taxes	(1,915,137)	(1,354,299)
Net change in non-cash working capital items:		
Trade and other receivables	(5,022)	53,940
Inventory	(655,735)	(574,567)
Prepaid expenses and deposits	(347,960)	(153,495)
Accounts payable and accrued liabilities	123,840	108,869
Contract liability	(13,212)	54,606
Cash provided by operating activities	4,771,023	6,286,598
INVESTING ACTIVITIES		
Net additions to property and equipment *(Note 10)*	(504,336)	(68,155)
Additions to intangible assets *(Note 11)*	(229,795)	(435,870)
Increase in short term investments	(939,328)	(905,848)
Loan advances and Interest receivable *(Note 12)*	(11,538)	(175,000)
Cash used in investing activities	(1,684,997)	(1,584,873)
FINANCING ACTIVITIES		
Payments - lease liability principal *(Note 13)*	(23,278)	-
Payments - lease liability interest *(Note 13)*	(16,255)	-
Proceeds from stock options exercised *(Note 14)*	4,724	100,924
Repurchase of common shares - NCIB *(Note 14)*	(6,351,603)	(606,193)
Cash provided by (used in) financing activities	(6,386,412)	(505,269)
Effect of foreign currency translation adjustment	(90,566)	(15,638)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,390,952)	4,180,818
Cash and cash equivalents, beginning of year	16,832,769	12,651,951
CASH AND CASH EQUIVALENTS - END OF YEAR	$13,441,817	$16,832,769
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of year	$24,425,101	$19,338,435
Increase in short term investments	939,328	905,848
Decrease in cash and cash equivalents	(3,390,952)	4,180,818
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	$21,973,477	$24,425,101
INTEREST RECEIVED DURING THE YEAR	$357,772	$288,996

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

BIOSYENT INC.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2019	$ 7,654,993	$ 976,957	$ (14,734)	$ 18,988,446	$ 27,605,662
Comprehensive Income for the year	-	-	(90,566)	4,369,295	4,278,729
Common shares repurchased under Normal Course Issuer Bid *(Note 14)*	(484,753)	-	-	(5,873,097)	(6,357,850)
Effect of Share-based payments: Options granted / vested *(Note 14)*	-	263,245	-	-	263,245
Effect of Share-based payments: Options exercised *(Note 14)*	9,377	(4,653)	-	-	4,724
Balance as of December 31, 2019	$ 7,179,617	$ 1,235,549	$ (105,300)	$ 17,484,644	$ 25,794,510

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2018	$ 7,518,403	$ 679,169	$ 904	$ 14,014,451	$ 22,212,927
Cumulative effect of adopting IFRS 15				(42,444)	(42,444)
Balance as of January 1, 2018 (as restated)	$ 7,518,403	$ 679,169	$ 904	$ 13,972,007	$ 22,170,483
Comprehensive Income for the year	-	-	(15,638)	5,705,386	5,689,748
Common shares repurchased under Normal Course Issuer Bid *(Note 14)*	(56,934)			(688,947)	(745,881)
Effect of Share-based payments: Options granted / vested *(Note 14)*	-	390,388	-	-	390,388
Effect of Share-based payments: Options exercised *(Note 14)*	193,524	(92,600)	-	-	100,924
Balance as of December 31, 2018	$ 7,654,993	$ 976,957	$ (14,734)	$ 18,988,446	$ 27,605,662

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

1. General Information

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

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

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

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

These Financial Statements were approved by the Board of Directors on March 17, 2020.

2. Basis of Presentation

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

Statement of Compliance

These consolidated financial statements for the years ended December 31, 2019 and 2018 have been prepared and are in compliance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Basis of Consolidation

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

Functional and Presentation Currency

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

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

3. Summary of Significant Accounting Policies

Financial Instruments

All financial assets and financial liabilities, in respect of financial instruments, are recognized on the Company's statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are incremental and are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's consolidated financial statements.

Financial Instruments Measured at Fair Value Through Profit or Loss (FVTPL)

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of sale in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the year. Financial assets in this category include certain short-term investments and derivatives. The Company may enter into derivative financial instruments to manage exposure to foreign exchange fluctuations and to improve the returns on its cash assets. These instruments are non-hedge derivative instruments.

Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are financial assets whereby the business model objective is to collect contractual cash flows and the cash flows represent SPPI (Solely Payments of Principal and Interest). Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets in this category include cash and cash equivalents, short-term investments, trade receivables, other receivables, and loans receivable.

Loans receivable consist of full recourse loans issued to employees, as described in Note 12. As the loans are full recourse, they are not recorded as share-based payments, but instead as loans, which fall within the scope of IFRS 9 *Financial Instruments*.

Impairment of Financial Assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company recognizes expected credit losses ("**ECLs**") for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

The Company recognizes loss allowances for ECLs on its financial assets measured at amortized cost, including loans receivable. ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures an ECL:

- at an amount equal to 12 months of expected losses for performing loans receivable if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1); at an amount equal to lifetime expected losses on loans receivable that have experienced a significant increase in credit risk since origination (Stage 2); and
- at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the loans receivable to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e. change in credit assessment). Such factors include consideration relating to whether the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

Financial Liabilities Measured at Amortized Cost

Financial liabilities measured at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired. Financial liabilities in this category include accounts payable and accrued liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's forward foreign exchange contract derivatives are measured at fair value through profit or loss using Level 2 inputs. The Company's cash and cash equivalents are measured at fair value through profit or loss using Level 1 inputs. There were no transfers between Levels 1 or 2 during the year.

Revenue Recognition

In accordance with IFRS 15 *Revenue,* The Company applies the following 5-step revenue recognition model based on the principle that an entity should recognize revenue as performance obligations

are satisfied based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of goods is recognized at the point when the Company has satisfied its performance obligations in the contract and control is transferred to the customer, generally upon shipment or delivery of the goods to the customer. Revenue is recognized at an amount that reflects the consideration to which the Company ultimately expects to be entitled in exchange for those goods. In the Company's Canadian Pharmaceutical Business, promised consideration from a customer can vary due to product returns, discounts, volume rebates, refunds, credits, price concessions, incentives, or similar items, which amounted to $1,214,057 in the year ($949,481 in 2018). Revenue is recorded net of these amounts. Where the consideration promised in a contract with a customer includes a variable amount, the Company estimates the amount of consideration to which it ultimately expects to be entitled in exchange for transferring the promised goods or services to the customer and the amount of revenue recognized is adjusted accordingly.

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

The table below summarizes changes in the contract liability during the years ended December 31, 2019 and December 31, 2018:

	Contract Liability ($)
Balance, January 1, 2018	92,597
Estimated variable consideration	414,059
Settlement of variable consideration	(394,303)
Balance, December 31, 2018	**112,353**
Estimated variable consideration	484,436
Settlement of variable consideration	(497,648)
Balance, December 31, 2019	**99,141**

Property and Equipment

Property and equipment are recorded at historical cost less accumulated depreciation. The cost of property and equipment is its purchase price, together with any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company records depreciation of property and equipment at the following rates and methods based on the assets' estimated useful economic lives:

Furniture and fixtures	20%	declining balance method
Equipment	20%	declining balance method
Computer equipment	30%	declining balance method
Computer software	30%	declining balance method
Lease right-of-use asset		Straight-line over 10-year term of lease
Leasehold improvements		Straight-line over 10-year term of lease

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the Statements of Comprehensive Income.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash held at financial institutions and highly liquid deposits with the ability to be converted into cash within 90 days or less of their acquisition date.

Short term investments are comprised of deposits with Chartered Canadian banks with maturities of more than 90 days. These investments are held in Canadian dollars or in foreign currencies and are interest bearing.

Inventory

Inventory is measured on a first-in, first-out basis at the lower of cost and net realizable value. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Intangible Assets

Intangible assets with definite useful lives consist of:

- new product dossier and filing costs, which represent professional, consulting, and regulatory fees incurred in obtaining regulatory approvals of products for marketing and manufacturing purposes;
- product licenses and rights, which represent contractual milestone payments and professional fees incurred in acquiring product licenses and distribution rights;
- new product development, which represents expenditure on materials and services in the development of new products;
- trademarks and patents, which represent legal and application fees incurred in registering trademarks and patents in various jurisdictions; and
- trade certifications, which represent legal and registration fees incurred in obtaining international trade certifications of products.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization commences when the intangible asset is available for use. The amortization period and the amortization method for an intangible asset with a definite useful life are reviewed at least annually at the end of each financial reporting year. Intangible assets with definite useful lives are

amortized on a straight-line basis over their estimated useful lives *(see Note 11)*. New product dossier and filing costs are amortized over the estimated economic lives of the underlying products commencing upon their availability for use. Product licenses and rights are amortized over the expected useful life. New product development costs are amortized over the estimated economic useful life of the product commencing upon its availability for use. Trademarks and patents are amortized over the period covered by the registration period, ranging between 10 and 15 years, unless the economic life is shorter.

Development Costs

Research costs are expensed as incurred. Development costs are also expensed unless the Company can demonstrate the following:

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

Impairment of Non-Financial Assets

Equipment and intangible assets are reviewed for impairment at the end of each annual reporting period for events or circumstances that indicate that the carrying value of an asset may not be recoverable. In such cases where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount of an asset is first tested on an individual basis.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available market data less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate non-financial assets could result in a material change to the results of operations.

Foreign Currency Translation

Items included in the consolidated financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in net income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in cumulative translation adjustment in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are net investments in a foreign operation are included in cumulative translation adjustment account, as part of other comprehensive income.

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the Consolidated Statements of Comprehensive Income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Tax:

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that are enacted or substantively enacted at the end of the year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax:

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Application of IFRIC 23, Uncertainty over Income Tax Treatments:

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

Share-Based Payments

The Company has equity-settled share-based payment plans, including an Incentive Stock Option Plan and Employee Share Purchase Plan which are described in Note 14. Any consideration paid by employees upon the exercise of any stock options increases share capital. The Company does not repurchase stock options from option holders.

Compensation costs attributable to all stock options granted to employees are measured at fair value, using the Black-Scholes option pricing model, at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

Options granted to non-employees are measured at the fair value of the goods and services received or to be received.

Repurchase of Shares under Normal Course Issuer Bid ("NCIB")

Repurchases by the Company of its own common shares under a NCIB are accounted for in accordance with IAS 32, *Financial Instruments: Presentation*. Upon reacquiring shares under a NCIB, the Company deducts from equity the purchase price of these shares and any costs to acquire such shares. Any such shares held by the Company are considered treasury shares until they are cancelled.

Earnings per Share

Basic earnings per share is computed by dividing the net income after taxes by the weighted average number of common shares outstanding during the year. Diluted earnings per share information is calculated assuming the deemed exercise of all in-the-money stock options and that all deemed proceeds to the Company are used to repurchase the Company's stock at the average market price during the year. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive.

Adoption of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 *Leases*. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease are recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and is depreciated on a straight-line basis over the term of the lease contract. The liability is unwound using the interest rate inherent in the lease.

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

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

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

Accounting Pronouncements Issued but not yet Effective

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

4. Use of Estimates and Accounting Judgments by Management

The preparation of these Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgments

a. Recoverability of asset carrying values

The Company assesses its equipment and intangible assets for impairment if there are events or changes in circumstances that indicate that carrying values may not be recoverable at each statement of financial position date. Such indicators include changes in the Company's business plans, changes in the market and evidence of physical damage.

Determination as to whether and how much an asset is impaired involves management's judgment on highly uncertain matters such as future selling and purchasing prices, the effects of inflation on operating expenses, discount rates, and economics of different pharmaceutical or medical products.

b. Impairment of trade and other receivables

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer, and anticipated industry conditions. Customer payments are regularly monitored and ECLs are established in accordance with IFRS 9.

c. Income taxes

The Company is subject to income tax assessment in multiple jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain.

The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of these Financial Statements. Additionally, estimating income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before such deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

Estimates

The most significant estimates made by management include the following:

a. Depreciation

Depreciation of the Company's equipment involves estimates of future useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company's equipment.

b. Amortization of intangible assets

The amortization of the Company's intangible assets involves estimates of their useful lives. Such estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company's intangible assets.

c. Share-based payments

Issuances and grants of share options are valued using the fair value method. Management uses the Black-Scholes option pricing model to estimate the fair value of share options determined at grant date for options granted to employees. Significant assumptions affecting the valuation of options include the term allowed for option exercise, a volatility factor relating to the Company's historical share price, dividend yield, forfeiture rate and risk-free interest rate.

d. Inventory

Management has estimated the value of inventory based upon its assessment of the net realizable value less selling costs. All slow-moving merchandise has been provided for by management.

e. Determination of transaction price

As a result of the existence of elements of variable consideration in the Company's contracts with customers arising from returns, discounts, rebates and other price incentives, the Company is required to estimate the amount of variable consideration from the customer to which it ultimately expects to be entitled and to adjust the transaction price and amount of revenue recognized accordingly.

The Company estimates the extent of future product returns, retail coupon redemptions, discounts and volume rebates to be awarded to customers based on historical, current and forecast information available, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

f. Determination of incremental borrowing rate

When the Company enters into leases as lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-to-use asset in a similar economic environment. In determining its incremental

borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

g. Determination of lease term

When the Company enters into leases as lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option and periods covered by an option to terminate the lease if it reasonably expects not to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option *(see Note 13)*.

5. Trade and other Receivables

Trade and other receivables are summarized as follows:

	December 31, 2019	December 31, 2018
Trade accounts receivable	$1,814,914	$2,039,151
Other receivables	268,809	76,142
Total trade and other receivables	$2,083,723	$2,115,293

6. Inventory

Inventory is comprised of the following:

	December 31, 2019	December 31, 2018
Raw and Packaging Materials	$273,942	$309,626
Finished Goods	1,865,185	1,173,766
Total inventory	$2,139,127	$1,483,392

Cost of goods sold is comprised of the following:

	December 31, 2019	December 31, 2018
Raw and Packaging Materials and Finished Goods	$4,649,956	$4,748,175
Freight	128,113	204,689
Total cost of goods sold	$4,778,069	$4,952,864

7. Financial Instruments and Financial Risk Management

Fair Value Measurement

Fair Value Estimation of Financial Instruments

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

Risks

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

- **Foreign Exchange Options:**

The Company periodically enters into foreign exchange options with financial institutions with investment grade credit ratings to manage its foreign exchange risk on contracts denominated in U.S. dollars. Such options are classified as derivative financial instruments and measured at fair value through profit and loss. As at December 31, 2019, the Company entered into options to purchase up to a total of USD 2,550,000 and USD 3,825,000 (December 31, 2018 – USD 2,270,000 and USD 3,405,000) at an exchange rate expressed in CAD per USD of 1.3000 which will be settled on various dates from January 2020 to January 2021. The Company's right to buy USD 2,550,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.3300 to 1.3550 CAD per USD. The Company's obligation to buy USD 3,825,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below a rate of 1.2750 CAD per USD.

The fair value of foreign exchange options is estimated based on quoted values from financial institutions. The Company's foreign exchange options resulted in a derivative liability of $43,861 as at December 31, 2019 (December 31, 2018 – derivative asset of $27,344).

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

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

December 31, 2018	Level 1	Level 2	Level 3
Foreign Exchange Options	-	$27,344	-

➢ **Dual Currency Deposits:**

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

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

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

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

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

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

At December 31, 2018, the Company had the following CAD denominated DCD that was convertible into USD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.3566	$1,500,000	$1,507,542	3.83%	March 25, 2019	1.3300

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

Accrued interest income on the DCD of $10,060 (2018 - $1,102) has been included in finance income in the Statements of Comprehensive Income.

➢ **Foreign Exchange Risk:**

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

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

Foreign Exchange Sensitivity Analysis - USD

	December 31, 2019	December 31, 2018
Description of Asset/(Liability)	USD	USD
Cash and cash equivalents	418,262	418,338
Short term investments	1,529,178	1,133,490
Trade receivables	78,254	79,577
Less: Accounts payable	(698,811)	(609,106)
Net Total	1,326,883	1,022,299
Foreign Exchange Rate CAD per USD at the end of the year	1.2988	1.3642

At December 31, 2019, if the U.S. dollar had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $126,667 higher or lower on an after-tax basis, respectively (December 31, 2018 - $102,505 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis - EUR

	December 31, 2019	December 31, 2018
Description of Asset/(Liability)	EUR	EUR
Cash and cash equivalents	673,066	505,166
Trade receivables	-	243,905
Less: Accounts payable	(84,048)	(211,734)
Net Total	589,018	537,337
Foreign Exchange Rate CAD per EUR at the end of the year	1.4583	1.5613

At December 31, 2019, if the Euro had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $63,134 higher or lower on an after-tax basis, respectively (December 31, 2018 - $61,663 higher or lower, respectively).

➢ **Interest Rate Risk:**

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

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

➢ **Credit Risk:**

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

The majority of the Company's current customers are corporations with whom the Company has transacted for several years. In assessing the credit risk of its trade accounts receivable, the Company considers historical default rates and payment patterns,

the nature of its customer base, and forward-looking information including any anticipated changes to its customer base, credit terms, and pricing.

Aged Trade Accounts Receivable	December 31, 2019	December 31, 2018
Current	$ 1,328,854	$ 1,386,339
Past due 1-30 days	329,815	570,614
Past due 31-60 days	80,438	47,108
Over 60 days	111,218	35,090
Expected credit loss	(35,411)	-
Closing Balance	$ 1,814,914	$ 2,039,151
Maximum Credit Risk	1,850,325	2,039,151

As of December 31, 2019, one customer represents 31% of trade receivables (December 31, 2018 - 39%) while another customer represents 19% of trade receivables (December 31, 2018 - 27%), a third customer represents 18% of trade receivables (December 31, 2018 - nil%), and a fourth customer represents 13% of trade receivables (December 31, 2018 – 2%). There have been no past defaults by any of these four customers.

During the year ended December 31, 2019, the Company recognized a bad debt expense of $1,180 (2018 – 67,462) related to a trade receivable from a former customer outside of Canada, not included with the significant customers noted above, which was deemed to be uncollectible. Additionally, during the year, the Company recognized an expected credit loss of $35,411 related to a trade receivable from a Canadian pharmaceutical wholesale customer, not included with the significant customers noted above, for which collection was uncertain. These bad debt expenses have been included in general and administration expenses in the Consolidated Statements of Comprehensive Income.

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

➢ **Liquidity Risk:**

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

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

There were no changes to the Company's exposure to liquidity risk, credit risk, or interest rate risk or to its approach to managing these risks during the year ended December 31, 2019.

8. Short-term Investments

Short-term investments consist of the following:

	December 31, 2019	December 31, 2018
Non-redeemable GICs	$6,543,728	$6,084,790
Dual Currency Deposits	1,987,932	1,507,542
Total short-term investments	$8,531,660	$7,592,332

9. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	December 31, 2019	December 31, 2018
Cash on deposit in banks	$10,887,130	$9,227,774
Redeemable GICs	2,554,687	7,604,995
Total cash and cash equivalents	$13,441,817	$16,832,769

10. Property and equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Right-of-Use Asset (see Note 13)	Leasehold Improvements	Total
COST:							
December 31, 2017	$104,149	$76,028	$209,258	$257,284	$-	$-	$646,719
2018 Additions	-	13,000	21,967	33,188	-	-	68,155
December 31, 2018	$104,149	$89,028	$231,225	$290,472	$-	$-	$714,874
2019 Additions	161,546	131,050	35,539	80,593	1,330,455	680,511	2,419,694
2019 Disposals	(15,635)	-	-	-	-	-	(15,635)
December 31, 2019	**$250,060**	**$220,078**	**$266,764**	**$371,065**	**$1,330,455**	**$680,511**	**$3,118,933**
ACCUMULATED DEPRECIATION:							
December 31, 2017	$(58,592)	$(26,023)	$(107,166)	$(164,012)	$-	$-	$(355,793)
Changes in 2018	(9,111)	(11,301)	(33,923)	(32,961)	-	-	(87,296)
December 31, 2018	$(67,703)	$(37,324)	$(141,089)	$(196,973)	$-	$-	$(443,089)
Changes in 2019	(20,317)	(24,572)	(32,372)	(49,610)	(44,349)	(22,358)	(193,578)
December 31, 2019	**$(88,020)**	**$(61,896)**	**$(173,461)**	**$(246,583)**	**$(44,349)**	**$(22,358)**	**$(636,667)**
CARRYING AMOUNT							
December 31, 2017	$45,557	$50,005	$102,092	$93,272	$-	$-	$290,926
December 31, 2018	$36,446	$51,704	$90,136	$93,499	$-	$-	$271,785
December 31, 2019	**$162,040**	**$158,182**	**$93,303**	**$124,482**	**$1,286,106**	**$658,153**	**$2,482,266**

11. Intangible Assets

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks and Patents	Trade Certifications	Total
COST:						
December 31, 2017	$862,526	$893,020	$59,987	$82,701	$-	$1,898,234
2018 Additions	420,231	-	9,078	2,625	3,936	435,870
December 31, 2018	$1,282,757	$893,020	$69,065	$85,326	$3,936	$2,334,104
2019 Additions	219,450	-	2,885	7,460	-	229,795
December 31, 2019	**$1,502,207**	**$893,020**	**$71,950**	**$92,786**	**$3,936**	**$2,563,899**
ACCUMULATED AMORTIZATION:						
December 31, 2017	$(27,078)	$(138,310)	$-	$(4,284)	$-	$(169,672)
Changes in 2018	(13,964)	(79,742)	-	(4,284)	-	(97,990)
December 31, 2018	$(41,042)	$(218,052)	$-	$(8,568)	$-	$(267,662)
Changes in 2019	(13,061)	(79,742)	-	(4,553)	(796)	(98,152)
December 31, 2019	**$(54,103)**	**$(297,794)**	**$-**	**$(13,121)**	**$(796)**	**$(365,814)**
ACCUMULATED IMPAIRMENT LOSSES:						
December 31, 2017	$(58,352)	$-	$-	$-	$-	$(58,352)
Changes in 2018	(65,408)	-	-	-	-	(65,408)
December 31, 2018	$(123,760)	$-	$-	$-	$-	$(123,760)
Changes in 2019	(589,581)	(461,366)	-	-	-	(1,050,947)
December 31, 2019	**$(713,341)**	**$(461,366)**	**$-**	**$-**	**$-**	**$(1,174,707)**
CARRYING AMOUNT						
December 31, 2017	$777,096	$754,710	$59,987	$78,417	$-	$1,670,210
December 31, 2018	$1,117,955	$674,968	$69,065	$76,758	$3,936	$1,942,682
December 31, 2019	**$734,763**	**$133,860**	**$71,950**	**$79,665**	**$3,140**	**$1,023,378**

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred product dossier and filing costs of $1,502,207 (December 31, 2018 – $1,282,757) to date on several products, two of which, Aguettant System® Atropine and Phenylephrine pre-filled syringes, have been approved by Health Canada and launched to the market. The filing costs incurred in respect of these two launched products are being amortized on a straight-line basis over their estimated finite useful lives of 5 years based on marketability. For the year ended December 30, 2019, $13,061 of amortization expense (2018 - $13,964) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these assets (*see Note 15*).

In June 2019, the Company withdrew regulatory filings submitted to Health Canada for two cardiovascular pharmaceutical products for which the Company acquired exclusive Canadian distribution rights in 2016. Subsequent to receiving a Notice of Deficiency from Health Canada during the year, the Company and its European partner decided to withdraw the regulatory filings for these two products and not to further pursue regulatory approval. As such, the Company has recognized an impairment loss of $424,941 related to these products, representing regulatory filing costs incurred to date. Subsequent to the withdrawal of regulatory filings for these two products, the Company recovered $180,000 from its European partner as reimbursement for certain regulatory filing costs incurred by the Company. The net impairment loss related to these products of $244,941 is included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income (*see Note 15*).

In December 2019, due to uncertainty in obtaining approval for new product dossier and filing costs in a certain international market from the local regulatory authority, the Company

recognized an impairment loss of $164,640 representing the excess of the carrying amount of costs incurred in developing this asset over its estimated recoverable amount which is its value in use. This impairment loss is included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income *(see Note 15)*.

On November 25, 2019, the Company entered into a License and Exclusive Supply Agreement with AFT Pharmaceuticals Ltd ("**AFT**") to acquire a license to market, sell and distribute a portfolio of pain management products in Canada. The Company has incurred $174,129 in development costs related to these products. Such costs are included in intangible assets as New Product Dossier and Filing Costs. The Company will commence amortizing these costs upon this asset becoming available for use. No amortization expense was recorded in respect of these costs in 2019.

During the 15-year term of the License and Exclusive Supply Agreement, the Company is committed to purchase certain minimum quantities from AFT as well as certain royalty payments based on the net sales of the products in Canada (see *Note 17*).

Product Licenses and Rights

Cumulatively, the Company has incurred costs related to the acquisition of product licenses and rights totalling $893,020 (December 31, 2018 – $893,020).

On August 18, 2015, the Company entered into a Distribution and Supply Agreement with Photocure ASA (the "Distribution and Supply Agreement") to acquire the exclusive rights to market, promote, distribute and sell the Cysview® product in Canada including an exclusive right to use the Cysview® trademark and a license to use the patents associated with the product in Canada. The Company incurred costs totalling $859,400 (December 31, 2018 - $859,400) related to the acquisition and commercialization of Cysview®, which was launched in the Canadian market in November 2015. This asset has a finite life and is being amortized on a straight-line basis over the 11-year term of the agreement. For the year ended December 31, 2019, $79,742 of amortization expense (2018 - $79,742) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of this asset (*see Note 15*).

In addition to the upfront payment made by the Company to Photocure ASA, certain future payments are also required by the Company under the Distribution and Supply Agreement contingent on the achievement of specific milestones (see *Note 17*).

In 2019, due to the underperformance of sales growth of the Cysview® product against management's expectations, the Company recognized an impairment loss of $461,366 related to the Cysview® product license representing the excess of the carrying amount of this asset over its estimated recoverable amount which is the asset's value in use. This impairment loss is included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income (*see Note 15*).

On November 7, 2016, the Company entered into a License and Supply Agreement with a European partner to acquire the exclusive Canadian rights to use the product registration documentation of a women's health pharmaceutical product and a license to sell, market and distribute this product in Canada under the brand name Tibella®. In addition to an initial EUR 20,000 license fee upon signing this agreement, the Company is committed to certain annual license fee payments to its European partner contingent upon the future sales of the product (see *Note 17*). On May 10, 2019, the Company received regulatory approval from Health Canada for Tibella®.

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling $71,950 (December 31, 2018 - $69,065) relating to the development of a new product. The Company will commence amortization of these costs upon the completion of development.

Trademarks and Patents

The Company has incurred cumulative trademark and patent application and filing costs of $92,786 (December 31, 2018 - $85,326) relating to product registration application costs in various jurisdictions. These assets have finite lives and are being amortized on a straight-line basis over the terms of the respective trademarks and patents (ranging from 10 to 15 years). For the year ended December 31, 2019, $4,553 of amortization expense (2018 - $4,284) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these assets (*see Note 15*).

Trade Certifications

The Company has incurred legal and other costs in obtaining certain international trade certifications and permits totalling $3,936. This asset is being amortized over its 5-year estimated economic life. For the year ended December 31, 2019, $796 of amortization expense (2018 - $nil) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these assets (*see Note 15*).

12. Loans Receivable

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

	Loans Receivable ($)
Balance, December 31, 2017	393,860
Loan Advances	175,000
Accrued Interest	8,069
Balance, December 31, 2018	576,929
Loan Advances	-
Accrued Interest	11,538
Balance, December 31, 2019	**588,467**

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

Each MSLP participant's loan (collectively, the "MSLP Participant Loans") bears interest at a rate of 1% - 2% per annum and is secured by a pledge of the common shares purchased under the MSLP by the Borrowers. Interest receivable of $11,538 was accrued on the loans for 2019 (2018 - $8,069) and has been included in finance income on the Company's Consolidated Statements of Comprehensive Income.

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

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

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

13. Lease Liability

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

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

	Lease Liability ($)
Opening lease liability – office lease	1,860,191
Interest expense	32,456
Payments	(39,533)
Balance, December 31, 2019	**1,853,114**
Current portion, December 31, 2019	**144,253**
Long-term portion, December 31, 2019	**1,708,861**

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

Fiscal Year	Lease Payments
2020	$ 237,195
2021	$ 237,195
2022	$ 238,952
2023	$ 242,466
2024	$ 242,466
2025	$ 245,980
2026	$ 253,008
2027	$ 253,008
2028	$ 253,008
2029	$ 168,672
Total	$ 2,371,950

Not included in the lease liability, the Company incurred occupancy costs related to its office leases of $118,376 for the year ended December 31, 2019 which have been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income.

The Company's short-term lease expense and cash outflow for short-term leases, related to the Company's previous office lease which expired on August 31, 2019, was $51,083 for the year ended December 31, 2019 and has been included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

14. Share Capital

a. Authorized

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

b. Issued and outstanding common shares

	Number of Common Shares	Amount
Balance, Outstanding Shares, December 31, 2017	14,509,095	$ 7,518,403
Options exercised	21,588	193,524
Shares repurchased under NCIB and cancelled (d)	(72,100)	(46,283)
Balance, Outstanding Shares, December 31, 2018	**14,458,583**	**$ 7,665,644**
Shares repurchased under NCIB and held in Treasury at December 31, 2018 (d)	(20,068)	(10,651)
Balance, Excluding Treasury Shares, December 31, 2018	**14,438,515**	**$ 7,654,993**
Options exercised (c)	762	9,377
Shares repurchased under NCIB and cancelled (d)	(878,832)	(468,828)
Balance, Outstanding Shares, December 31, 2019	**13,560,445**	**$ 7,195,542**
Shares repurchased under NCIB and held in Treasury at December 31, 2019 (d)	(30,000)	(15,925)
Balance, Excluding Treasury Shares, December 31, 2019	**13,530,445**	**$ 7,179,617**

c. Options exercised

During the year ended December 31, 2019, 762 common shares (2018 – 21,588) were issued against options exercised for total proceeds of $4,724 (2018 - $100,924) and $4,653 in fair value was transferred from contributed surplus to share capital (2018 - $92,600).

d. Normal Course Issuer Bid (NCIB)

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

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

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

During the period from the commencement of the NCIB on December 10, 2018 to December 31, 2018, the Company repurchased 92,168 common shares for an aggregate price of $736,944 and incurred costs of $8,937 related to the repurchase of these shares. 72,100 of these repurchased shares were cancelled as of December 31, 2018 with the remaining 20,068 shares cancelled subsequent to December 31, 2018. The Company's retained earnings were reduced by $688,947 upon the repurchase of these shares, representing the excess of the aggregate repurchase price and the reduction in share capital of $56,934.

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

Subsequent to the reporting date, the Company repurchased a further 121,700 common shares for cancellation pursuant to the NCIB.

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

f. Share-Based Payments

Incentive Stock Option Plan

On March 11, 2014, the Board approved an incentive stock option plan (the "**SOP**") which was adopted by the shareholders of the Company on June 13, 2014 and re-approved on May 28, 2019. The purpose of the SOP is to assist the Company in attracting, retaining and motivating directors, officers, employees and other persons who provide ongoing services to the Company and its affiliates and to closely align the personal interests of such participants with those of the Company's shareholders, by providing them with the opportunity to acquire common shares of the Company, and thereby a proprietary interest in the Company and its subsidiaries, through the exercise of share purchase options.

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

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

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

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

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

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

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

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

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

During the year ended December 31, 2019, the Company recorded net share-based payment expense of $263,245 (2018 - $390,388) relating to option grants to employees, directors, officers and advisors under the SOP, which are included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

As at December 31, 2019, there were 177,512 options outstanding (December 31, 2018 – 144,624), as shown below:

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

Of the total number of options outstanding as of December 31, 2019, options totalling 103,770 have vested and are exercisable by the option holders (December 31, 2018 – 59,673). These exercisable options have a weighted average exercise price of $8.12 (December 31, 2018 - $8.55).

The weighted-average remaining contractual life of the 177,512 (December 31, 2018 – 144,624) options outstanding is 7.22 years (December 31, 2018 – 7.74 years) and the range of exercise prices for these options is $6.20 - $10.97 (December 31, 2018 - $4.45 - $10.97).

762 options were exercised during the year ended December 31, 2019 (2018 – 21,588). The weighted average share price on the date of exercise of the options exercised during the year was $6.62 (2018 - $9.56).

Employee Share Purchase Plan

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

During the year ended December 31, 2019, the Company recorded share-based payment expense of $78,681 (2018 - $70,734) relating to the Company's contributions to the ESPP for the purchase of common shares on behalf of participating employees. This expense is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

15. Expenses by Nature

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

	Year ended December 31,	
	2019	2018
Cost of goods sold	$4,778,069	$4,952,864
Selling and marketing	$5,750,624	$5,264,814
Advertising, Promotion and Selling Costs	2,825,146	2,570,313
Employee Costs	2,598,158	2,356,490
Logistics, Quality Control & Regulatory	289,115	281,613
Share-based Payments	38,205	56,398
General and administration	$5,417,376	$4,407,333
Employee Costs	2,553,059	2,620,988
Impairment Losses: Intangible Assets *(Note 11)*	870,947	65,408
Corporate Expenses	837,140	772,705
Share-based Payments	303,721	404,724
Depreciation - Property and Equipment	193,578	87,296
Professional Fees	162,603	180,406
Information Technology	134,671	117,652
Net Foreign Exchange (Gains) Losses	108,327	(110,281)
Insurance	98,207	86,284
Amortization - Intangible Assets	98,152	97,990
Bad Debts	36,591	67,462
Medical Affairs	20,380	16,699
New business development costs	$90,114	$107,457
Finance costs	$32,456	-
Interest expense - lease liability *(Note 13)*	32,456	-
Finance income	$ (514,846)	$ (752,246)
Interest Income	(447,011)	(326,103)
Foreign Exchange Gains - Investing	(67,835)	(426,143)

16. Earnings per Share

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

	Year ended December 31,	
	2019	2018
Numerator		
Net income attributable to common shareholders	$4,369,295	$5,705,386
Denominator		
Basic		
Weighted average number of shares outstanding	13,945,147	14,511,993
Effect of dilutive securities adjusted for exercised options	75	23,225
Diluted		
Weighted average number of shares outstanding	13,945,222	14,535,218
Basic earnings per share	$0.31	$0.39
Diluted earnings per share	$0.31	$0.39

17. Contingencies

Litigations

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at December 31, 2019 the Company was not aware of any litigation or threatened claims either outstanding or pending.

Cysview® Distribution and Supply Agreement

Under the terms of the August 18, 2015 Distribution and Supply Agreement between the Company and Photocure ASA in respect of the Cysview® product (*see Note 11*), milestone payments averaging $219,934 (USD 168,055) per year for three consecutive years are potentially required to be made by the Company to Photocure ASA between December 31, 2020 and December 31, 2022 dependent upon the achievement of certain events. The Company will record these amounts as the events occur.

Women's Health Products License and Supply Agreement

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

Pain Management Products License and Exclusive Supply Agreement

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

18. Commitments

Office Leases

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

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

Fiscal Year	Annual Rent and Occupancy Costs
2020	$ 358,785
2021	$ 358,785
2022	$ 360,542
2023	$ 364,056
2024 and Beyond	$ 2,125,914
Total	$ 3,568,082

The Company's previous office lease extension agreement expired on August 31, 2019. Short-term lease expense and cash outflow for this short-term lease was $51,083 for the year ended December 31, 2019 and has been included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income. The Company has no further commitments related to this short-term lease.

The Company incurred occupancy costs related to its office leases of $118,376 for the year ended December 31, 2019 which have been included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

Purchase Commitments

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

19. Related Party Transactions

Key Management Personnel Compensation

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

The table below summarizes compensation for key management personnel of the Company for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
Number of Key Management Personnel	6	8
Salary, Benefits, and Bonus	$1,360,493	$1,355,164
Share-Based Payments	$233,138	$237,978

During the year ended December 31, 2019, the Company recorded share-based payment expense of $233,138 (2018 - $237,978) related to the vesting of options granted to key management personnel under the SOP as well as the Company's contributions to the ESPP for the purchase of common shares on behalf of participating key management personnel.

During the year ended December 31, 2019, no loans were advanced to key management personnel under the MSLP (2018 – loan advances of $175,000).

Transactions with Directors

During the year ended December 31, 2019, the Company paid total fees to its directors in the amount of $142,600 (2018 - $109,200) and share-based payments of $15,899 (2018 - $108,990).

20. Capital Disclosures

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

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

December 31, 2019	$25,794,510
December 31, 2018	$27,605,662

The Company's principal objectives in managing capital are:

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

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

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

The Company does not have any externally imposed capital compliance requirements at December 31, 2019. There were no changes in the Company's approach to capital management during the year.

21. Credit Facilities

The Company has credit facilities available with Royal Bank of Canada totalling $3,090,000, including a revolving demand credit facility of $1,500,000, which has not been utilized as of December 31, 2019, a foreign exchange facility of $1,500,000, and credit card facilities totalling $90,000. The revolving demand credit facility bears interest at a variable rate of Royal Bank prime plus 0.75% and has been secured with a General Security Agreement constituting a first ranking security interest of the Bank in the Company's property. The Company is subject to maintaining certain financial covenants if the demand credit facility is drawn upon. The Company has available additional foreign exchange facilities of $2,500,000 with other Canadian financial institutions which have not been utilized as of December 31, 2019.

22. Taxes

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

Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax rates of 26.5% (2018 – 26.5%) in the Canadian jurisdiction, 21.0% (2018 – 21.0%) in the U.S. jurisdiction, and 2.5% (2018 – 2.5%) in the Barbados jurisdiction.

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% (2018 – 26.5%) to the effective tax rate is as follows:

	2019	2018
Net Income Before Taxes	$5,870,531	$7,546,806
Combined statutory income tax rate	26.50%	26.50%
Expected income tax expense at current rate	$1,555,691	$1,999,904
Foreign tax differential	(87,827)	(173,734)
Change in exchange rates	(3,148)	22,599
Non-deductible expenses	86,707	118,106
Non-taxable portion of capital gains	(18,959)	(74,952)
Tax rate changes and other adjustments	(31,228)	(50,503)
Provision for tax	$ 1,501,236	$ 1,841,420
Current income tax expense	$1,748,337	$1,747,192
Deferred tax (recovery)	(247,101)	94,228
	$1,501,236	$1,841,420
Current income tax payable	$ (154,952)	$ (321,752)

Deferred Tax Balances

	2019	2018
Net operating losses carried forward	$26,095	$45,144
Deferred tax assets	$26,095	$45,144
Equipment and intangibles	$ (102,902)	$ (369,052)
Deferred tax liability	$ (102,902)	$ (369,052)

The potential benefit of the carry-forward net operating losses in the United States have been recognized in these financial statements as it is probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

There are United States net operating losses which will expire as follows:

Expiry	United States (in CAD)
2023	10,652
2024	82,340
2026	31,070
2031	200
	$ 124,262

23. Segment Reporting

A segment is a component of the Company:

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

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

iii. for which discrete financial information available.

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

The revenue breakdown by business is provided below:

a. for both the pharmaceutical and insecticide business; and

b. for both Canadian and international jurisdictions

	Year ended December 31,	
	2019	2018
Canada		
Pharmaceutical Business	$18,946,758	$18,541,645
Insecticide Business	866,615	674,877
Total Canada	$19,813,373	$19,216,522
International Jurisdictions		
Pharmaceutical Business - Middle East	$1,441,691	$2,209,323
Insecticide Business - United States	169,260	101,183
Total International Jurisdictions	$1,610,951	$2,310,506
Total Revenue	$21,424,324	$21,527,028

For the year ended December 31, 2019, in the Canadian Pharmaceutical Business, revenue from transactions with three major customers individually amounted to 10% or more the Company's total revenues. The amount of revenues from each of these three customers totalled $8,068,686, $4,759,588, and $4,295,741, respectively, during 2019 (2018 - $8,508,943, $4,898,610, and $4,312,286, respectively).

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

Non-Current Assets	December 31, 2019	December 31, 2018
Canada	$ 4,029,824	$ 2,739,369
United States	$ 26,095	$ 45,144
Barbados	$ 64,287	$ 52,027
Total Non-Current Assets	$ 4,120,206	$ 2,836,540

During the year ended December 31, 2019, net impairment losses of $870,947 (2018 - $65,408) were recognized on intangible assets located in Canada and related to the Canadian pharmaceutical business *(see Note 11)*.

24. Subsequent Event

In March 2020, the Company's Board of Directors adopted a Restricted Share Unit ("RSU") Plan under which certain employees, officers and directors of the Company would be eligible to receive RSUs which would be settled with common shares of the Company after a specified vesting period. The adoption of the Company's RSU Plan is subject to shareholder approval. No RSUs have been granted under the RSU Plan as of the date hereof.

Corporate Information

Registered Office

Suite 402
2476 Argentia Road
Mississauga, Ontario, Canada L5N 6M1

Telephone	905.206.0013
Facsimile	905.206.1413
Email	info@biosyent.com
Website	www.biosyent.com

Board of Directors

Larry Andrews
Ontario, Canada

Joseph Arcuri
Ontario, Canada

Sara Elford
British Columbia, Canada

René C. Goehrum (Chair)
Ontario, Canada

Peter D. Lockhard (Lead Director)
Ontario, Canada

Stephen Wilton
Ontario, Canada

Officers

René C. Goehrum
President and
Chief Executive Officer

Robert J. March
Vice-President and
Chief Financial Officer

Registrar and Transfer Agent

Computershare Trust Company Canada
100 University Avenue,
Toronto, Ontario, M5J 2Y1
Canada

Auditors

MNP LLP
Toronto, Ontario, Canada

BDO Barbados
St. Michael, Barbados

Solicitors

Wildeboer Dellelce LLP
Toronto, Ontario, Canada

Caravel Law
Toronto, Ontario, Canada

Harridyal Sodha & Associates
St. Michael, Barbados

Banks

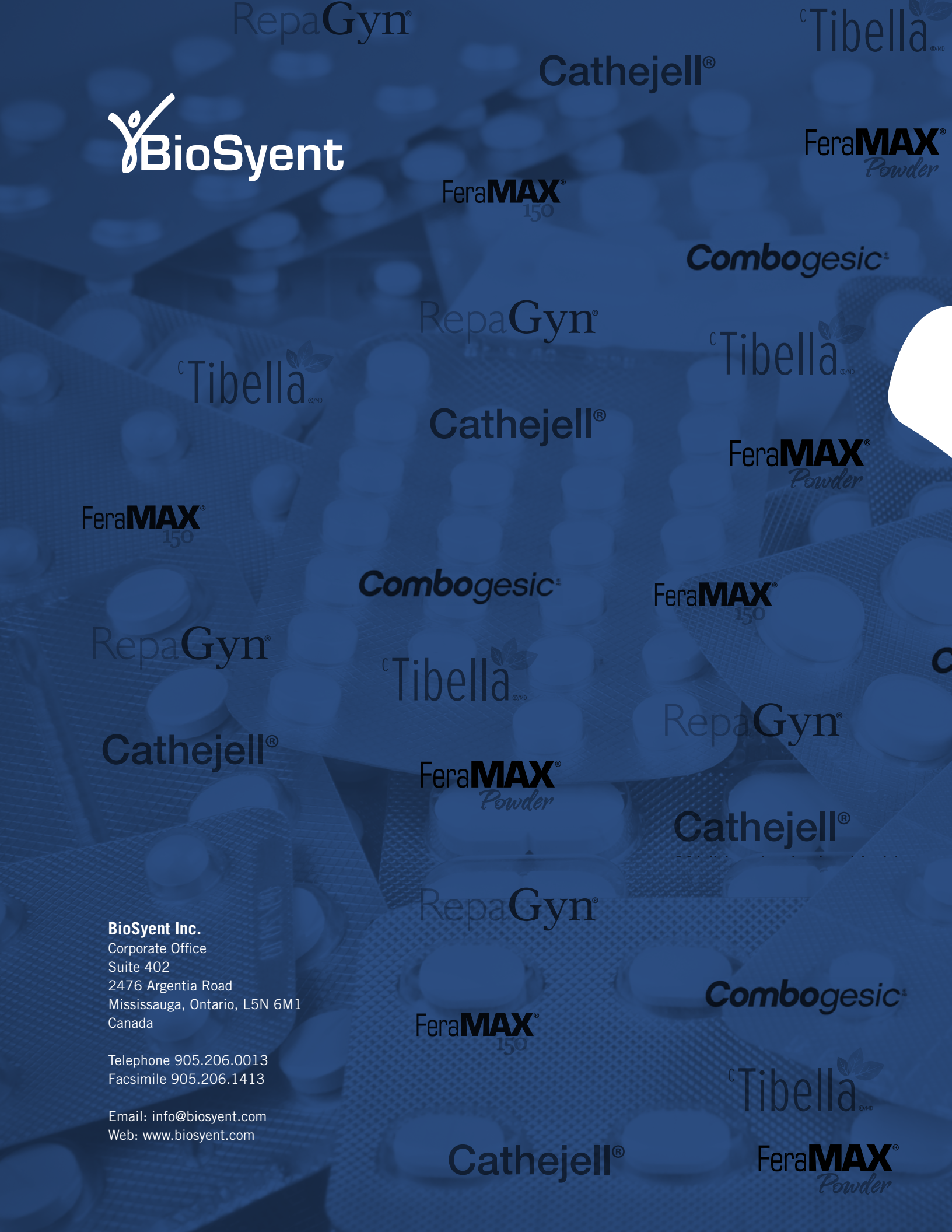
Royal Bank of Canada
Toronto, Ontario, Canada

Canadian Imperial Bank of Commerce
Toronto, Ontario, Canada

City National Bank
Los Angeles, California, USA

Stock Listing

TSX Venture Exchange Trading symbol: RX



BioSyent Inc.
Corporate Office
Suite 402
2476 Argentia Road
Mississauga, Ontario, L5N 6M1
Canada

Telephone 905.206.0013
Facsimile 905.206.1413

Email: info@biosyent.com
Web: www.biosyent.com