

BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

**For the three months ended March 31, 2017 and 2016
Expressed in Canadian Dollars**

May 24, 2017

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For the three months ended March 31, 2017 and 2016
Expressed in Canadian Dollars

To the Shareholders of BioSyent Inc.:

Management has prepared the interim unaudited condensed consolidated financial statements for BioSyent Inc. (the “**Company**”) in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed these unaudited condensed consolidated financial statements for the three months ended March 31, 2017 and 2016.

Alfred D’Souza

Vice-President and Chief Financial Officer, BioSyent Inc.

May 24, 2017

BioSyent Inc.
Interim Unaudited Consolidated Statements Of Financial Position

(Expressed in Canadian Dollars)

	March 31, 2017	December 31, 2016
ASSETS		
Trade receivables	\$1,809,851	\$1,924,949
Other receivables	68,316	16,228
Inventory (Note 5)	1,737,027	1,560,050
Prepaid expenses and deposits	339,145	269,704
Derivative assets (Note 6)	50,294	32,025
Short term investments (Note 7)	691,435	683,200
Cash and cash equivalents (Note 7)	13,353,162	13,056,086
CURRENT ASSETS	18,049,230	17,542,242
Equipment (Note 8)	286,208	291,331
Intangible assets (Note 9)	1,347,125	1,277,235
Deferred tax asset	124,235	137,375
TOTAL NON CURRENT ASSETS	1,757,568	1,705,941
TOTAL ASSETS	\$19,806,798	\$19,248,183
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$1,647,560	\$2,129,081
Income tax payable	304,303	229,145
CURRENT LIABILITIES	1,951,863	2,358,226
Deferred tax liability	136,267	163,241
TOTAL NON CURRENT LIABILITIES	136,267	163,241
Share capital (Note 10)	7,413,553	7,299,872
Contributed surplus	594,498	594,261
Cumulative translation adjustment	887	24,409
Retained earnings	9,709,730	8,808,174
Total Equity	17,718,668	16,726,716
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$19,806,798	\$19,248,183

Contingencies (Note 13)

Commitments (Note 14)

Related Party Transactions (Note 15)

APPROVED ON BEHALF OF THE BOARD



Mr. René Goehrum

DIRECTOR

May 24, 2017



Mr. Peter Lockhard

DIRECTOR

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

BioSyent Inc.**Interim Unaudited Consolidated Statements Of Comprehensive Income**

(Expressed in Canadian Dollars)

For the Three Months Ended March 31,	2017	2016
Net Revenues	\$3,821,262	\$3,772,463
Cost of Goods Sold <i>(Note 5)</i>	789,030	717,102
Selling, General & Administration <i>(Note 12)</i>	1,880,617	1,786,178
New Business & Development Costs	3,615	24,135
Finance Income	(34,427)	(58,862)
Total Expenses	2,638,835	2,468,553
Net Income Before Income Taxes	1,182,427	1,303,910
Current income tax	294,705	352,056
Deferred tax recovery	(13,834)	-
Net Income After Income Taxes	901,556	951,854
Other Comprehensive Income		
Currency translation losses	(23,522)	(16,413)
Total Comprehensive Income for the Period	\$878,034	\$935,441
Basic earnings per share <i>(Note 11)</i>	\$0.06	\$0.07
Diluted earnings per share <i>(Note 11)</i>	\$0.06	\$0.07

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

BioSyent Inc.**Interim Unaudited Consolidated Statements Of Cash Flows**

(Expressed in Canadian Dollars)

For the three months ended March 31,	2017	2016
OPERATING ACTIVITIES		
Net income for the period	\$901,556	\$951,854
Items not affecting cash:		
Depreciation - equipment	20,538	16,316
Amortization - intangible assets	22,786	1,491
Share-based payments	56,427	61,913
Derivative asset	(18,269)	23,147
Current income tax	294,705	352,056
Deferred tax	(13,834)	-
Cash paid for taxes	(219,547)	(323,222)
Net change in non-cash working capital items:		
Trade and other receivables	63,010	(456,849)
Inventory	(176,977)	(48,871)
Prepaid expenses and deposits	(69,441)	78,582
Accounts payable and accrued liabilities	(481,522)	(974,305)
Cash provided by (used in) operating activities	379,432	(317,888)
INVESTING ACTIVITIES		
Additions to equipment	(15,415)	(37,582)
Additions to intangible assets	(92,675)	(81,469)
Increase in short term investments	(8,235)	(1,864,978)
Cash used in investing activities	(116,325)	(1,984,029)
FINANCING ACTIVITIES		
Proceeds from stock options exercised	57,491	-
Cash provided by financing activities	57,491	-
Effect of foreign currency translation adjustment	(23,522)	(16,413)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	297,076	(2,318,330)
Cash and cash equivalents, beginning of period	13,056,086	4,392,617
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$13,353,162	\$2,074,287
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	\$13,739,286	\$9,715,476
Increase in short term investments	8,235	1,864,978
Increase (decrease) in cash and cash equivalents	297,076	(2,318,330)
CASH AND SHORT TERM INVESTMENTS - END OF PERIOD	\$14,044,597	\$9,262,124

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

BioSyent Inc.**Interim Unaudited 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 December 31, 2016	\$7,299,872	\$ 594,261	\$ 24,409	\$ 8,808,174	\$16,726,716
Comprehensive Income for the period	-	-	(23,522)	901,556	878,034
Effect of Share-based payments: Options granted / vested	-	56,427	-	-	56,427
Effect of Share-based payments: Options exercised	113,681	(56,190)	-	-	57,491
Balance March 31, 2017	\$7,413,553	\$ 594,498	\$ 887	\$ 9,709,730	\$17,718,668

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance December 31, 2015	\$7,174,916	\$ 420,176	\$ 57,721	\$ 4,498,669	\$12,151,482
Comprehensive Income for the period	-	-	(16,413)	951,854	935,441
Effect of Share-based payments: Options granted / vested	-	61,913	-	-	61,913
Effect of Share-based payments: Options exercised	-	-	-	-	-
Balance March 31, 2016	\$7,174,916	\$ 482,089	\$ 41,308	\$ 5,450,523	\$13,148,836

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

Notes to Interim Unaudited Condensed Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

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 (“**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”.

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

The Company changed its name from “Hedley Technologies Inc.” to “BioSyent Inc.” on June 13, 2006 to reflect the Company’s forward focus on the pharmaceutical market. BioSyent Pharma was incorporated on April 6, 2006 under the *Canada Business Corporations Act* and commenced operations in 2006. Hedley Technologies Ltd. was incorporated on January 30, 1996 in the province of British Columbia, Canada. Hedley USA was incorporated on May 13, 1994 in the state of Washington, USA. BioSyent Pharma International Inc. was incorporated on April 18, 2016 in Barbados. BioSyent’s principal place of business is located at 170 Attwell Drive, Suite 520, Toronto, Ontario, Canada M9W 5Z5.

These Financial Statements were approved by the Board of Directors on May 24, 2017.

2. Basis of Presentation

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

Statement of Compliance

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

Since these Financial Statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016.

3. Use of Estimates and Accounting Judgments by Management

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the Company’s consolidated financial statements for the year ended December 31, 2016.

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

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 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 when otherwise indicated.

payments are regularly monitored and a provision for doubtful debts is established based on specific situations and overall industry conditions.

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. However, 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. 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.

c. 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 allowed for by management.

4. Summary of Significant Accounting Policies

Revenue Recognition

Revenue resulting from the sale of goods to resellers or final customers is measured at the agreed upon consideration received or receivable, net of estimated returns and discounts, rebates and after eliminating intercompany sales. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognized when all of the following criteria are met:

- The risks and rewards of ownership, including managerial involvement, have transferred to the buyer;
- The amount of revenue can be measured reliably;
- The receipt of economic benefits is probable; and
- The costs incurred or to be incurred can be measured reliably.

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.

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.

If there is objective evidence that an impairment loss has occurred on an unquoted or not actively traded equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and is recognized in profit or loss for the period. Reversals of impairment losses on assets carried at cost are not permitted.

For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

Objective evidence of impairment of financial assets carried at amortized cost exists if 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.

Impairment of Non-Financial Assets

Equipment and intangible assets are reviewed for impairment at the end of each 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.

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

Furniture and fixtures	20%	declining balance method
Equipment	20%	declining balance method
Computer equipment	30%	declining balance method
Computer software	30%	declining balance method

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 includes cash held at financial institutions and highly liquid investments with the ability to be converted into cash within 90 days or less.

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 fees incurred for the filing of patents and the registration of trademarks for

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 contract derivatives and dual currency deposits 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 period.

Equipment

Equipment is recorded at historic cost less accumulated depreciation. The cost of equipment is its purchase cost, together with any directly attributable costs relating to the acquisition. The Company records depreciation of equipment at the following rates and methods based on the asset’s estimated useful economic lives:

product marketing and manufacturing purposes, product licenses and rights, which represent contractual milestone payments and professional fees incurred in acquiring product distribution rights, and trademarks. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial reporting period. Intangible assets with definite useful lives will be amortized on a straight-line basis over their estimated useful lives. Patent and trademark registration and maintenance fees paid are amortized over the period covered by the registration fee period, ranging between 5 and 20 years unless the economic life is shorter. Product licenses and rights are amortized over the term of the underlying agreement commencing upon the launch of the product.

Development Costs

Research costs are expensed as incurred. Development costs are also expensed unless they meet specific criteria related to technical, market and financial feasibility, in which case they are deferred and amortized to operations using the straight-line method over the economic life of the product from the date of completion of the project.

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 period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. 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 permanent in nature 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 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 period 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 reporting period. 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.

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 10(d). 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.

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 period. 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 period. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive.

Financial Instruments 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 selling 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 period. Financial assets in this category include cash and cash equivalents, short-term investments, dual currency deposits 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.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets in this category include trade receivables and other receivables.

Other Financial Liabilities

Other financial liabilities 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.

Recent Accounting Pronouncements

Certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not yet been adopted by the Company and could have an impact on future periods. These changes are described in detail in the 2016 consolidated financial statements.

- IFRS 9 Financial Instruments (effective January 1, 2018);
- IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018); and
- IFRS 16 Leases (effective January 1, 2019)

Management continues to assess the impact of each of these standards on the financial statements. As at the date of these interim unaudited condensed consolidated financial statements, there have been no significant changes to the disclosure relating to the implementation of these standards, as discussed in the 2016 consolidated financial statements.

5. Inventory

Inventory is comprised of the following:	March 31, 2017	December 31, 2016
Raw and Packaging Materials	\$531,815	\$704,060
Finished Goods	1,205,212	855,990
Total	\$1,737,027	\$1,560,050

Cost of Goods Sold consists of the following:	March 31, 2017	March 31, 2016
Raw and Packaging Materials and Finished Goods	\$770,572	\$700,766
Freight	18,458	16,336
Total	\$789,030	\$717,102

6. Financial Instruments and Financial Risk Management

Fair Value Measurement

➤ Fair Value Estimation of Financial Instruments

The Company's carrying value of cash and cash equivalents, short term investments, derivative assets, trade and other receivables, accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

Risks

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

➤ Forward Contracts:

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in U.S. dollars with financial institutions with investment grade credit ratings. Such contracts are classified as derivative financial instruments and measured at fair value through profit and loss. As at March 31, 2017, the Company entered into forward contracts to purchase up to a total of between USD 1,425,000 to USD 2,144,000 (December 31, 2016 – USD 2,250,000) at exchange rates expressed in CAD per USD ranging from 1.25 to 1.28 which will be settled on various dates from the date hereof to May 2018. The Company's right to buy USD on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.35 to 1.40 CAD per USD.

The fair value of forward exchange contracts is estimated based on quoted values from financial institutions. The Company's forward contracts resulted in a derivative asset of \$50,294 as at March 31, 2017 (December 31, 2016 – \$32,025).

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

March 31, 2017	Level 1	Level 2	Level 3
Forward Contracts	-	50,294	-

December 31, 2016	Level 1	Level 2	Level 3
Forward Contracts	-	32,025	-

➤ **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 a periodic basis throughout the course of the period and adjusts the total net monetary liability balance accordingly.

When it is appropriate to de-risk future foreign exchange transactions, the Company will reduce its exposure by booking foreign exchange forward cover transactions.

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

Foreign Exchange Sensitivity Analysis - USD

Description of Asset/(Liability)	March 31, 2017	December 31, 2016
	USD	USD
Cash and cash equivalents	553,117	1,592,413
Trade receivables	55,404	-
Less		
Accounts payable	(582,574)	(625,927)
Net Total	25,947	966,486
Foreign Exchange Rate CAD per USD at the end of the period	1.3299	1.3427

At March 31, 2017, if the U.S. dollar had been stronger or weaker by 1% against the Canadian dollar with all other variables held constant, comprehensive income would have been \$254 higher or lower on an after tax basis, respectively (December 31, 2016 - \$9,538 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis - EUR

Description of Asset/(Liability)	March 31, 2017	December 31, 2016
	EUR	EUR
Cash and cash equivalents	137,583	254,198
Trade receivables	70,697	-
Short term investments	-	63,600
Less		
Accounts payable	(157,596)	(64,727)
Net Total	50,684	253,071
Foreign Exchange Rate CAD per EUR at the end of the period	1.4189	1.4169

At March 31, 2017, if the Euro had been stronger or weaker by 1% against the Canadian dollar with all other variables held constant, comprehensive income would have been \$529 higher or lower on an after tax basis, respectively (December 31, 2016 - \$2,636 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 Statement of Financial Position are invested in redeemable guaranteed investment certificates (each, a

“GIC”), which earn interest at fixed rates during their tenure. 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 profit 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. The carrying amount of financial assets represents maximum credit exposure. As the Company invests some of its cash in redeemable GICs its credit risk on this account is negligible.

The majority of the Company’s current customers are large corporations. These customers have been dealing with the Company for several years and have never defaulted in settling their liabilities to the Company. Amounts past due are receivable from large corporations and as such, based on historical experience, the Company does not consider such amounts to be impaired

Trade Receivables

Description	March 31, 2017	December 31, 2016
Current	\$1,461,475	\$1,541,247
Past due 1-30 days	232,958	289,271
Past due 31-60 days	108,883	90,150
Over 60 days	6,535	4,281
Less allowance for doubtful accounts	-	-
Closing Balance	\$1,809,851	\$1,924,949
Maximum Credit Risk	\$1,809,851	\$1,924,949

One customer represents 36% of trade receivables (December 31, 2016: 31%) while another customer represents 25% of trade receivables (December 31, 2016: 36%). There have been no past defaults by either of these customers. Cash and cash equivalents and short term investments are maintained with Canadian 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 \$2,559,000, including a revolving demand credit facility of \$1,500,000 which it has not drawn down as at the date hereof.

There were no changes to the Company’s exposure to liquidity risk, credit risk, or interest rate risk or to its approach to managing these risks during the three months ended March 31, 2017.

7. Cash and Cash Equivalents and Short Term Investments

Cash and Cash Equivalents and Short Term Investments comprise of the following:

	March 31, 2017	December 31, 2016
Cash	\$13,353,162	\$13,056,086
Short term investments	691,435	683,200
Total Cash and Short Term Investments	\$14,044,597	\$13,739,286

8. Equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Total
COST:					
December 31, 2015	\$104,149	\$37,066	\$75,978	\$196,367	\$413,559
2016 Additions	-	-	106,185	35,816	142,001
December 31, 2016	\$104,149	\$37,066	\$182,163	\$232,183	\$555,560
2017 Additions	-	-	11,060	4,355	15,415
March 31, 2017	\$104,149	\$37,066	\$193,223	\$236,538	\$570,975
ACCUMULATED DEPRECIATION:					
December 31, 2015	\$(32,968)	\$(13,726)	\$(43,565)	\$(93,045)	\$(183,304)
Changes in 2016	(14,236)	(4,667)	(25,652)	(36,370)	(80,925)
December 31, 2016	\$(47,204)	\$(18,393)	\$(69,217)	\$(129,415)	\$(264,229)
Changes in 2017	(2,847)	(933)	(8,886)	(7,872)	(20,538)
March 31, 2017	\$(50,051)	\$(19,326)	\$(78,103)	\$(137,287)	\$(284,767)
CARRYING AMOUNT					
December 31, 2015	\$71,181	\$23,340	\$32,413	\$103,322	\$230,255
December 31, 2016	\$56,945	\$18,673	\$112,946	\$102,768	\$291,331
March 31, 2017	\$54,098	\$17,740	\$115,120	\$99,251	\$286,208

9. Intangible Assets

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

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks	Total
COST:					
December 31, 2015	\$239,764	803,199	36,041	6,450	\$1,085,454
2016 Additions	123,120	89,821	19,481	31,041	263,462
December 31, 2016	\$362,884	\$893,020	\$55,522	\$37,491	\$1,348,917
2017 Additions	71,864	-	4,465	16,347	92,675
March 31, 2017	\$434,748	\$893,020	\$59,986	\$53,837	\$1,441,593
ACCUMULATED AMORTIZATION:					
December 31, 2015	\$(5,966)	\$-	\$-	\$-	\$(5,966)
Changes in 2016	(7,148)	(58,568)	-	-	(65,716)
December 31, 2016	\$(13,114)	\$(58,568)	\$-	\$-	\$(71,682)
Changes in 2017	(3,265)	(19,521)	-	-	(22,786)
March 31, 2017	\$(16,379)	\$(78,089)	\$-	\$-	\$(94,468)
CARRYING AMOUNT					
December 31, 2015	\$233,798	\$803,199	\$36,041	\$6,450	\$1,079,488
December 31, 2016	\$349,770	\$834,452	\$55,522	\$37,491	\$1,277,235
March 31, 2017	\$418,368	\$814,931	\$59,986	\$53,837	\$1,347,125

Cumulatively, the Company has incurred product dossier and filing costs of \$434,748 (December 31, 2016 – \$362,884) to date on eight products, two of which, Aguetant System® Atropine and Phenylephrine pre-filled syringes, have been approved and launched. The filing costs incurred in respect of these products are being amortized on a straight-line basis over their estimated useful lives of 5 years based on marketability. The other six products, with a combined carrying amount at March 31, 2017 of \$369,442 (December 31, 2016 – \$297,578), have not yet been launched to the market and as such, no amortization has yet been recorded.

On May 25, 2016, the Company entered into a Distribution Agreement with a European partner to acquire the exclusive Canadian rights to use the trademarks of two cardiovascular pharmaceutical products as well as an exclusive, royalty-free, nontransferable, non-assignable license to import, promote and sell these products in Canada. The Company has incurred product dossier and filing costs to March 31, 2017 of \$42,041 (December 31, 2016 – \$20,986) related to these products, which have not yet been launched to the Canadian market.

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.

In addition to an initial EUR 20,000 (CAD 28,378) 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 13).

To March 31, 2017, The Company has also incurred product dossier and filing costs of \$51,899 (December 31, 2016 – \$14,951) related to this product, which has not yet been launched to the Canadian market.

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. To March 31, 2017, the Company has incurred costs totalling \$859,400 (December 31, 2016 - \$859,400) related to the acquisition and commercialization of Cysview® in Canada. These costs are being amortized on a straight-line basis over the 11 year term of the agreement.

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

13). These milestone payments will be recognized as an increase to product licenses and rights when the specific milestones are achieved.

The Company has incurred new product development costs consisting of labour, laboratory and professional fees totalling \$59,986 (December 31, 2016 - \$55,522) relating to the development of a new product. The Company will commence amortization of these costs upon the completion of development.

The Company has incurred trademark application and filing costs of \$53,837 (December 31, 2016 - \$37,491) relating to registration application costs in various jurisdictions. The Company will commence amortization of these costs upon the granting of such trademarks.

10. 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

	Shares	Amount
Balance December 31, 2015	14,021,195	\$7,174,916
Options exercised	379,892	124,956
Balance December 31, 2016	14,401,087	\$7,299,872
Options exercised	71,366	\$113,681
Balance March 31, 2017	14,472,453	\$7,413,553

During the three months ended March 31, 2017, 71,366 shares were issued against options exercised (three months ended March 31, 2016 – nil). Upon the exercise of these stock options, \$56,190 (March 31, 2016 - \$nil) in fair value has been transferred from contributed surplus to share capital.

c. There are nil preferred shares outstanding as of March 31, 2017 (December 31, 2016 – nil).

d. 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 26, 2016. 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 February 12, 2016, 45,273 options were granted by the Company to various employees and Directors under the SOP. An additional 1,114 options were granted to new employees during the period. Certain of these options shall fully vest on February 12, 2019 and certain of these options shall vest in annual increments over three years to February 12, 2019. The fair value of these options granted at an exercise price of \$6.20 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$6.20
Risk-free interest rate	1.01%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	152.40%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	\$6.11
Forfeiture rate	0.15%

As at March 31, 2017, there were 170,999 options outstanding (December 31, 2016 – 211,138), as shown below:

	March 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	211,138	\$3.97	546,884	\$1.16
Granted	31,227	\$7.35	46,387	\$6.20
Expired or forfeited	-	-	(2,241)	\$8.74
Exercised	(71,366)	\$0.81	(379,892)	\$0.17
Outstanding, end of period	170,999	\$5.91	211,138	\$3.97

Of the total number of options outstanding as of March 31, 2017, 75,408 options have vested and are exercisable by the option holders (December 31, 2016 – 134,456).

These exercisable options have a weighted average exercisable price of \$4.04 (December 31, 2016 – \$2.04). The weighted-average remaining contractual life of the 170,999 (December 31, 2016 – 211,138) options outstanding is 6.36 years (December 31, 2016 – 4.03 years) and the range of exercise prices for these options is \$0.91 – \$10.97 (December 31, 2016 – \$0.57 – \$10.97). The

On March 15, 2017, 31,227 options were granted by the Company to various employees and Directors under the SOP. Certain of these options shall vest in annual increments over four years to March 15, 2021 and certain of these options shall vest in semi-annual increments over 18 months to September 15, 2018. The fair value of these options granted with an exercise price of \$7.35 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	\$7.35
Risk-free interest rate	1.81%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	148.45%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	\$7.22
Forfeiture rate	0.18%

During the three months ended March 31, 2017, the Company recorded share-based payment expense of \$56,427 (March 31, 2016 – \$61,913) relating to option grants to employees, directors and officers under the SOP, which are included in Selling, General and Administration expenses in the consolidated statements of comprehensive income.

weighted average share price on the date of exercise of the options exercised during the three months ended March 31, 2017 was \$7.43 (three months ended March 31, 2016 – \$nil).

Employee Share Purchase Plan

On January 1, 2017, the Company introduced an Employee Share Purchase Plan (“ESPP”). Under the ESPP, eligible BioSynt employees, including certain key management personnel, are permitted to contribute up to a maximum of 10 per cent of

their gross base salary to purchase the Company's common shares in the open market through the facilities of the TSX Venture Exchange. The contributions are matched by the Company up to a maximum of 2.5 per cent of the applicable employee's gross base salary.

During the three months ended March 31, 2017, the Company recorded share-based payment expense of \$16,605 (March 31, 2016 - \$nil) 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.

11. Earnings per Share

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

	Three Months ended March 31,	
	2017	2016
Numerator		
Net income attributable to common shareholders	\$901,556	\$951,854
Denominator		
Basic		
Weighted average number of shares outstanding	14,404,531	14,021,195
Effect of Dilutive Securities adjusted for exercised options	112,791	467,677
Diluted		
Weighted average number of shares outstanding	14,517,322	14,488,872
Basic earnings per share	\$0.06	\$0.07
Diluted earnings per share	\$0.06	\$0.07

12. Expenses by Nature

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

	Three Months ended March 31,	
	2017	2016
Cost of Goods Sold	\$ 789,030	\$ 717,102
Selling and Marketing	\$ 1,161,976	\$ 1,036,713
Advertising, Promotion and Selling Costs	528,132	529,641
Employee Costs	552,029	470,425
Share-based Payments	18,268	8,465
Logistics, Quality Control & Regulatory	63,547	28,182
General and Administration	\$ 718,641	\$ 749,465
Professional Fees	33,673	27,460
Corporate Expenses	154,101	125,148
Depreciation and Amortization	43,324	17,807
Employee Costs	501,570	479,890
Share-based Payments	54,764	53,448
Others	56,566	39,434
Foreign Exchange (Gains) Losses	(125,357)	6,278
New Business & Development Costs	\$ 3,615	\$ 24,135
Finance Income	\$ (34,427)	\$ (58,862)

The major functions include Cost of Goods Sold, Selling and Marketing, General and Administration, New Business and Development and Finance Costs / (Income). The nature of expenses covered by each function is broadly outlined below with the caveat that the descriptions provided are indicative and should not to be construed as being comprehensive:

- Cost of Goods Sold: Includes expenses related to purchase of products, change in inventory, variable freight and royalty cost on sales
- Selling and Marketing: Includes all expenses related to selling, marketing, sales and marketing personnel compensation and distribution expenses
- General and Administration: Includes expenses associated with running the day to day operations of the business
- New Business and Development: Includes expenses related but not limited to acquiring new drugs, scientific consulting and regulatory fees.
- Finance Costs / (Income): Includes interest charges and income.

13. Contingencies

Litigations

From time to time the Company may be exposed to claims and legal actions in the normal course of business. As at March 31, 2017 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 9), milestone payments averaging \$223,496 (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 a women's health pharmaceutical product (see Note 9), 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.

14. Commitments

Office Lease

The Company's minimum future rental payments and operating costs are approximately as follows:

Fiscal 2017	\$ 136,076
Fiscal 2018	\$ 15,120

Purchase Commitments

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

15. Related Party Transactions

Key Management Personnel Compensation

The table below summarizes compensation for key management personnel of the Company for the three months ended March 31, 2017 and 2016:

	Three Months ended March 31,	
	2017	2016
Number of Key Management Personnel	4	4
Salary and Bonus	\$197,204	\$180,949
Share-Based Payments	\$25,709	\$24,239

During the three months ended March 31, 2017, the Company recorded share-based payment expense of \$20,779 (March 31, 2016 - \$24,239) related to the vesting of options granted to key management personnel under the SOP. The Company recorded additional share-based payment expense of \$4,930 (March 31, 2016 - \$nil) relating to the Company's contributions to the ESPP for the purchase of common shares on behalf of participating key management personnel.

Transactions with Other Key Management Personnel and Directors

During the three months ended March 31, 2017, the Company paid total fees to its directors in the amount of \$22,050 (2016 - \$14,625) and share-based payments of \$10,501 (2016 - \$15,917).

Additionally, the Company incurred a remuneration expense of \$4,500 for professional services rendered by one of its directors for the three months ended March 31, 2017 (2016 - \$4,500). These related party transactions have occurred in the normal course of operations.

Management Share Loan Plan ("MSLP")

On December 8, 2016, the Board of Directors approved an MSLP under which the Company would offer short-term, one-time loans, up to \$600,000 in aggregate, to certain key management personnel for the purpose of their purchase of the Company's common shares at prevailing market prices through the facilities of the TSX Venture Exchange. All common shares purchased through the MSLP would be pledged as security against the loans. The MSLP is administered by the CFO and CEO of the Company under the oversight of the Chair of the Company's Compensation and Human Resources Committee of the Board of Directors.

During the three months ended March 31, 2017, nil loans were advanced to key management personnel and nil common shares were purchased by key management personnel under the MSLP.

16. 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 period are as follows:

March 31, 2017	\$17,718,668
December 31, 2016	\$16,726,716

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 so as to maintain clients, investors, creditors and market confidence; and

- to provide an adequate rate of return to its shareholders.

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

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

The Company does not have any externally imposed capital compliance requirements at March 31, 2017. There were no changes in the Company's approach to capital management during the period.

17. Credit Facilities

The Company has credit facilities available with Royal Bank of Canada totalling \$2,559,000, including a revolving demand credit facility of \$1,500,000 which has not been utilized as of March 31, 2017. 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.

18. Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, 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 at rates of 26.5% (2016 – 26.5%) in the Canadian jurisdictions, 35% (2016 – 35%) in the U.S. jurisdiction, and 2.5% (2016 – 2.5%) in the Barbados jurisdiction.

19. 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

Revenue by Business

	Three Months ended March 31,	
	2017	2016
Canada		
Pharmaceutical Business	\$3,354,697	\$3,292,802
Insecticide Business	117,086	225,855
Total Canada	\$3,471,783	\$3,518,657
International Jurisdictions		
Pharmaceutical Business	\$298,137	\$253,806
Insecticide Business	51,342	-
Total International Jurisdictions	\$349,489	\$253,806
Total Revenue	\$3,821,262	\$3,772,463

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

Non-Current Assets	March 31, 2017	December 31, 2016
Canada	\$ 1,642,839	\$1,578,695
Foreign Jurisdictions	\$ 114,729	\$ 127,246

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