BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

November 20, 2018

Expressed in Canadian Dollars

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BioSyent

Management's Responsibility For Financial Reporting

To the Shareholders of BioSyent Inc.:

Management has prepared the interim unaudited condensed consolidated financial statements for BioSyent Inc. (the "**Company**") in accordance with National Instrument 51-102 – Continuous Disclosure Obligations released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed these interim unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017.

Robert March

Vice-President and Chief Financial Officer, BioSyent Inc.

November 20, 2018

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

AS AT	September 30, 2018	December 31, 2017
ASSETS		
Trade and other receivables *(Note 5)*	$2,297,192	$2,236,695
Inventory *(Note 6)*	1,340,010	908,825
Prepaid expenses and deposits	470,760	147,326
Income tax recoverable	-	71,924
Derivative asset *(Note 7)*	37,884	-
Short term investments *(Note 8)*	11,189,790	6,686,484
Cash and cash equivalents *(Note 9)*	11,415,002	12,651,951
CURRENT ASSETS	26,750,638	22,703,205
Equipment *(Note 10)*	256,769	290,926
Intangible assets *(Note 11)*	1,925,878	1,670,210
Loans receivable *(Note 12)*	396,806	393,860
Deferred tax asset	42,518	46,647
TOTAL NON CURRENT ASSETS	2,621,971	2,401,643
TOTAL ASSETS	$29,372,609	$25,104,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$2,174,411	$2,539,132
Refund liability *(Note 3)*	127,249	-
Income tax payable	160,083	-
Derivative liability *(Note 7)*	-	76,462
CURRENT LIABILITIES	2,461,743	2,615,594
Deferred tax liabilty	356,556	276,327
TOTAL NON CURRENT LIABILITIES	356,556	276,327
Share capital *(Note 13)*	7,617,930	7,518,403
Contributed surplus	920,964	679,169
Cumulative translation adjustment	9,433	904
Retained earnings *(Note 3)*	18,005,983	14,014,451
Total Equity	26,554,310	22,212,927
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$29,372,609	$25,104,848

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

APPROVED ON BEHALF OF THE BOARD

Mr. René Goehrum	Mr. Peter Lockhard
DIRECTOR	DIRECTOR
November 20, 2018	

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

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Comprehensive Income
(Expressed in Canadian Dollars)

	Nine months ended September 30,		Three months ended September 30,	
	2018	**2017**	**2018**	**2017**
Net revenues from contracts with customers *(Note 3)*	$15,616,063	$14,861,267	$5,259,493	$5,403,600
Cost of goods sold *(Note 6)*	3,542,971	3,397,110	1,155,171	1,210,062
Selling, general and administration *(Notes 14, 15)*	7,218,455	6,988,207	2,563,226	2,778,199
New business development costs	73,406	33,067	30,551	7,090
Finance income *(Notes 14, 15)*	(597,404)	(457,834)	(255,851)	(306,814)
Total expenses	10,237,428	9,960,550	3,493,097	3,688,537
Net income before income tax	5,378,635	4,900,717	1,766,396	1,715,063
Current income tax expense	1,260,301	1,072,847	496,466	395,995
Deferred tax expense	84,358	78,821	(683)	24,493
Net income after income tax	4,033,976	3,749,049	1,270,613	1,294,575
Other comprehensive income				
Currency translation gains (losses)	8,529	(24,317)	34,173	(15,738)
Total comprehensive income	$4,042,505	$3,724,732	$1,304,786	$1,278,837
Basic earnings per share *(Note 16)*	$0.28	$0.26	$0.09	$0.09
Diluted earnings per share *(Note 16)*	$0.28	$0.26	$0.09	$0.09

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

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the nine months ended September 30,	2018	2017
OPERATING ACTIVITIES		
Net income for the period	$4,033,976	$3,749,049
Items not affecting cash:		
Depreciation – equipment *(Note 10)*	60,801	64,797
Amortization – intangible assets *(Note 11)*	73,493	68,968
Share-based payments *(Note 13)*	289,704	193,007
Impairment loss on intangible assets *(Note 11)*	13,316	58,352
Derivative asset	(114,346)	178,875
Current Income tax	1,260,301	1,072,847
Deferred tax	84,358	78,821
Cash paid for taxes	(1,015,938)	(1,359,935)
Net change in non-cash working capital items:		
Trade and other receivables	(60,497)	(562,016)
Inventory	(431,185)	285,000
Prepaid expenses and deposits	(323,434)	(38,254)
Accounts payable and accrued liabilities	(364,720)	(181,915)
Refund liability	69,502	-
Cash provided by operating activities	3,575,331	3,607,597
INVESTING ACTIVITIES		
Additions to equipment *(Note 10)*	(26,644)	(96,891)
Additions to intangible assets *(Note 11)*	(342,477)	(419,554)
Increase in short term investments	(4,503,306)	(3,503,284)
Loan advances	-	(391,500)
Cash used in investing activities	(4,872,427)	(4,411,229)
FINANCING ACTIVITIES		
Proceeds from stock options exercised	51,618	94,660
Cash provided by financing activities	51,618	94,660
Effect of foreign currency translation adjustment	8,529	(24,317)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,236,949)	(733,289)
Cash and cash equivalents, beginning of period	12,651,951	13,056,086
CASH AND CASH EQUIVALENTS – END OF PERIOD	$11,415,002	$12,322,797
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	$19,338,435	$13,739,286
Increase in short term investments	4,503,306	3,503,284
Decrease in cash and cash equivalents	(1,236,949)	(733,289)
CASH AND SHORT TERM INVESTMENTS - END OF PERIOD	$22,604,792	$16,509,281

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

BioSyent Inc.
Interim Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2018	$ 7,518,403	$ 679,169	$ 904	$ 14,014,451	$22,212,927
Cumulative effect of adopting IFRS 15 *(Note 3)*				(42,444)	(42,444)
Balance as of January 1, 2018 (as restated)	$ 7,518,403	$ 679,169	$ 904	$ 13,972,007	$22,170,483
Comprehensive income for the period	-	-	8,529	4,033,976	4,042,505
Effect of Share-based payments: Options granted / vested *(Note 13)*	-	289,704	-	-	289,704
Effect of Share-based payments: Options exercised *(Note 13)*	99,527	(47,909)	-	-	51,618
Balance as of September 30, 2018	$ 7,617,930	$ 920,964	$ 9,433	$ 18,005,983	$26,554,310

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2017	$ 7,299,872	$ 594,261	$ 24,409	$ 8,808,174	$16,726,716
Comprehensive income for the period	-	-	(24,317)	3,749,049	3,724,732
Effect of Share-based payments: Options granted / vested *(Note 13)*	-	193,007	-	-	193,007
Effect of Share-based payments: Options exercised *(Note 13)*	186,591	(91,931)	-	-	94,660
Balance as of September 30, 2017	$ 7,486,463	$ 695,337	$ 92	$ 12,557,223	$20,739,115

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

1. General Information

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

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

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

These Financial Statements were approved by the Board of Directors on November 20, 2018.

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, 2017.

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 where otherwise indicated.

3. Summary of Changes to Significant Accounting Policies

a. Adoption of *IFRS 9 Financial Instruments:*

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments*, which replaced the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. The adoption of IFRS 9 did not have a material impact on the Company's Financial Statements.

IFRS 9 includes guidance on the classification and measurement of financial instruments and introduces a new expected credit loss ("ECL") model for calculating impairment on financial assets as well as new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

As a result of adopting this standard, certain of the Company's financial assets previously classified in the loans and receivables category under IAS 39, specifically, the Company's trade receivables, other receivables, and loans receivable, are now classified in the amortized cost category under IFRS 9. Additionally, the Company's accounts payable and accrued liabilities, previously classified as other financial liabilities under

IAS 39, are now classified in the amortized cost category under IFRS 9. These new classification categories do not impact the measurement basis for the Company's financial assets and liabilities. There were no adjustments to the carrying amounts of these financial instruments as a result of the adoption of IFRS 9.

There was also no impact on the Company's credit risk assessments as a result of adopting IFRS 9 and the ECL model for calculating impairment on financial assets, given the nature of the Company's financial assets, customer base, and history of incurring minimal credit losses.

The following accounting policy is applicable from January 1, 2018:

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 Company recognizes loss allowances for ECLs on its financial assets measured at amortized cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

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.

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 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 period.

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 period. Financial assets in this category include cash and cash equivalents, 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 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, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets in this category include 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*.

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.

b. Adoption of IFRS 15 Revenue from Contracts with Customers:

Effective January 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers.* IFRS 15 replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 introduces a 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.

The Company has elected to apply IFRS 15 using the modified retrospective approach only to contracts that were not completed contracts as of the date of initial application (January 1, 2018). Under this approach, the Company has recognized the cumulative effect of adopting IFRS 15 in opening retained earnings on the date of initial application, without restating comparative figures.

The application of IFRS 15 affects the Company's determination of the transaction price in Step 3 of the revenue recognition model and the amount of revenue the Company recognizes due to the variable consideration element arising in certain of its contracts with customers. Promised consideration from a customer can vary due to discounts, rebates, refunds, credits, price concessions, incentives, or similar items.

Where the consideration promised in a contract with a customer includes a variable amount, IFRS 15 requires that an entity estimate the amount of consideration to which it ultimately expects to be entitled in exchange for transferring the promised goods or services to a customer.

As a result of applying these requirements of IFRS 15 as of the date of initial application, the Company recognized the following adjustments to its consolidated statement of financial position as of January 1, 2018:

As at January 1, 2018

Line Item	Impact upon adoption of IFRS 15 ($)
Increase in refund liability	57,747
Increase in income tax recoverable	(15,303)
Decrease in retained earnings	(42,444)

No other line items on the statement of financial position were affected as at January 1, 2018 as a result of the adoption of IFRS 15. As a result of variable consideration arising from volume rebates, product returns, and retail coupons for certain contracts with customers in respect of the Company's pharmaceutical products, the cumulative amount of net revenues previously recognized in the Company's Canadian Pharmaceutical Business under IAS 18 *Revenue* to January 1, 2018 would be reduced by $57,747 and the amount of net income after tax previously recognized would be reduced by $42,444. The Company's opening retained earnings was reduced by $42,444 as of January 1, 2018 to reflect the net transition impact.

As at September 30, 2018, the following line items of the Company's consolidated statement of financial position were affected due to the adoption of IFRS 15 versus amounts which would have been recognized under IAS 18 *Revenue:*

As at September 30, 2018

Line Item	Impact of adoption of IFRS 15 ($)
Increase in refund liability	127,249
Decrease in accounts payable and accrued liabilities	(35,343)
Decrease in income taxes payable	(24,355)
Decrease in retained earnings	(67,551)

No other line items on the statement of financial position were affected as at September 30, 2018 by the adoption of IFRS 15.

For the nine months ended September 30, 2018, the following line items of the Company's consolidated statement of comprehensive income were affected due to the adoption of IFRS 15 versus amounts which would have been recognized under IAS 18 *Revenue:*

For the nine months ended September 30, 2018

Line Item	Impact of adoption of IFRS 15 ($)
Decrease in net revenues	(207,639)
Decrease in selling, general and administration expenses	115,733
Decrease in income tax expense	24,355
Decrease in net income after tax	67,551

No other line items on the statement of comprehensive income were affected for the three and nine months ended September 30, 2018 by the adoption of IFRS 15.

The following accounting policy is applicable from January 1, 2018:

Revenue Recognition

The Company recognizes revenue from the following products:

- Pharmaceutical products; and
- Grain Insecticides

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 variable consideration, including returns for damaged or expired product, discounts, rebates and other price incentives. As the Company's estimates of variable consideration for such price incentives are typically constrained, these estimated amounts are deducted from the transaction price.

The Company recognizes a refund liability when it receives consideration from a customer and expects to refund some or all of that consideration to the customer.

The Company satisfies its performance obligations in contracts with customers at a point in time upon the physical delivery of pharmaceutical goods and grain insecticides to the customer's location. The Company's typical payment terms with customers are net, 30 days. None of the Company's contracts with customers contain any financing component.

c. Recent Accounting Pronouncements not yet Adopted

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. Management anticipates that all of the relevant pronouncements will be adopted by the Company for the first period following the effective date of the pronouncement.

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 will be 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 the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company is in the process of evaluating the impact of this new standard, but does not anticipate any material impact on its current accounting policies.

4. Use of Estimates and Accounting Judgments by Management

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the Company's consolidated financial statements for the year ended December 31, 2017, with the exception of the following:

Determination of transaction price

As a result of the Company's adoption of IFRS 15 *Revenue from contracts with customers*, on January 1, 2018, and the existence of elements of variable consideration in the Company's contracts with customers arising rising 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.

5. Trade and other receivables

Trade and other receivables are summarized as follows:

	September 30, 2018	December 31, 2017
Trade accounts receivable	$2,237,961	$2,184,311
Other receivables	59,231	52,384
Total trade and other receivables	$2,297,192	$2,236,695

6. Inventory

Inventory is comprised of the following:

	September 30, 2018	December 31, 2017
Raw and Packaging Materials	$172,169	$256,927
Finished Goods	1,167,841	651,898
Total	$1,340,010	$908,825

Cost of Goods Sold consists of the following:

	Nine months ended,		Three months ended,	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Raw and Packaging Materials and Finished Goods	$3,400,978	$3,297,794	$1,110,531	$1,175,040
Freight	141,993	99,316	44,640	35,022
Total	$3,542,971	$3,397,110	$1,155,171	$1,210,062

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

Risks

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

➢ **Forward Contracts:**

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in U.S. dollars with financial institutions with investment grade credit ratings. Such contracts are classified as derivative financial instruments and measured at fair value through profit and loss. As at September 30, 2018, the Company entered into forward contracts to purchase up to a total of USD 2,475,000 to USD 3,712,500 (December 31, 2017 – USD 3,750,000 to USD 5,625,000) at exchange rates expressed in CAD per USD ranging from 1.2400 to 1.2500 which will be settled on various dates from October 2018 to November 2019. The Company's right to buy USD 2,475,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.3450 to 1.3600 CAD per USD. The Company's right to buy USD 3,712,500 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below rates ranging from 1.2300 to 1.2500 CAD per USD.

The Company entered into additional forward contracts to sell up to a total of USD 1,250,000 (December 31, 2017 – Nil) at exchange rates expressed in CAD per USD ranging from 1.2805 to 1.3244 which will be settled on various dates from October 2018 to December 2018. The Company's right to sell USD 1,250,000 on the respective settlement dates is subject to the spot exchange rates on the settlement dates being above a rate of 1.2250 CAD per USD and below a rate of 1.2805 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 $37,884 as at September 30, 2018 (derivative liability of $76,462 December 31, 2017).

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

September 30, 2018	Level 1	Level 2	Level 3
Forward Contracts	-	37,884	-

December 31, 2017	Level 1	Level 2	Level 3
Forward Contracts	-	(76,462)	-

➢ **Foreign Exchange Risk:**

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

	September 30, 2018	December 31, 2017
Description of Asset/(Liability)	USD	USD
Cash and cash equivalents	238,080	282,677
Trade receivables	99,934	64,160
Less: Accounts payable	(317,117)	(577,680)
Net Total	20,897	(230,843)
Foreign Exchange Rate CAD per USD at the end of the period	1.2945	1.2545

At September 30, 2018, 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 $199 higher or lower on an after tax basis, respectively (December 31, 2017 - $2,129 lower or higher, respectively).

Foreign Exchange Sensitivity Analysis – EUR

	September 30, 2018	December 31, 2017
Description of Asset/(Liability)	EUR	EUR
Cash and cash equivalents	461,984	656,645
Trade receivables	30,204	203,332
Less: Accounts payable	(165,279)	(41,900)
Net Total	326,909	818,077
Foreign Exchange Rate CAD per EUR at the end of the period	1.5020	1.5052

At September 30, 2018, 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 $3,609 higher or lower on an after tax basis, respectively (December 31, 2017 - $9,051 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 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'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 (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.

The majority of the Company's current customers are corporations with whom the Company has transacted for several years. None of these customers have defaulted in settling their liabilities to the

Company. Based on its historical experience and customer base, the Company does not consider past due trade receivables to be impaired as of September 30, 2018.

Trade Receivables

Description	September 30, 2018	December 31, 2017
Current	$1,554,679	$1,942,162
Past due 1-30 days	408,611	167,622
Past due 31-60 days	10,609	3,328
Over 60 days	264,063	71,199
Less allowance for doubtful accounts	-	-
Closing Balance	$2,237,961	$2,184,311
Maximum Credit Risk	2,237,961	2,184,311

One customer represents 40% of trade receivables (December 31, 2017 - 45%) while another customer represents 22% of trade receivables (December 31, 2017 - 15%), and a third customer represents 18% of trade receivables (December 31, 2017 – 13%). There have been no past defaults by any of these customers.

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

- **Liquidity Risk:**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is actively involved in the review and approval of planned 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.

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 and nine months ended September 30, 2018.

8. Short Term Investments

Short term investments consist of the following:

	September 30, 2018	December 31, 2017
GICs	$11,189,790	$6,686,484
Total short term investments	$11,189,790	$6,686,484

9. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	September 30, 2018	December 31, 2017
Cash on deposit in banks	$11,415,002	$9,151,951
Redeemable GICs	-	3,500,000
Total cash and cash equivalents	$11,415,002	$12,651,951

10. Equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Total
COST:					
December 31, 2016	$104,149	$37,066	$182,163	$232,183	$555,561
2017 Additions	-	38,962	27,095	25,101	91,158
December 31, 2017	$104,149	$76,028	$209,258	$257,284	$646,719
2018 Additions	-	13,000	13,644	-	26,644
September 30, 2018	**$104,149**	**$89,028**	**$222,902**	**$257,284**	**$673,363**
ACCUMULATED DEPRECIATION:					
December 31, 2016	$(47,204)	$(18,393)	$(69,217)	$(129,416)	$(264,230)
Changes in 2017	(11,388)	(7,630)	(37,949)	(34,596)	(91,563)
December 31, 2017	$(58,592)	$(26,023)	$(107,166)	$(164,012)	$(355,793)
Changes in 2018	(6,833)	(8,475)	(24,506)	(20,987)	(60,801)
September 30, 2018	**$(65,425)**	**$(34,498)**	**$(131,672)**	**$(184,999)**	**$(416,594)**
CARRYING AMOUNT					
December 31, 2016	$56,945	$18,673	$112,946	$102,767	$291,331
December 31, 2017	$45,557	$50,005	$102,092	$93,272	$290,926
September 30, 2018	**$38,724**	**$54,530**	**$91,230**	**$72,285**	**$256,769**

11. Intangible Assets

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

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks and Patents	Total
COST:					
December 31, 2016	$362,884	$893,020	$55,522	$37,491	$1,348,917
2017 Additions	499,642	-	4,465	45,210	549,317
December 31, 2017	$862,526	$893,020	$59,987	$82,701	$1,898,234
2018 Additions	331,856	-	9,078	1,543	342,477
September 30, 2018	**$1,194,382**	**$893,020**	**$69,065**	**$84,244**	**$2,240,711**
ACCUMULATED AMORTIZATION:					
December 31, 2016	$(13,114)	$(58,568)	$-	$-	$(71,682)
Changes in 2017	(13,964)	(79,742)	-	(4,284)	(97,990)
December 31, 2017	$(27,078)	$(138,310)	$-	$(4,284)	$(169,672)
Changes in 2018	(9,796)	(60,484)		(3,213)	(73,493)
September 30, 2018	**$(36,874)**	**$(198,794)**	**$-**	**$(7,497)**	**$(243,165)**
ACCUMULATED IMPAIRMENT LOSSES:					
December 31, 2016	$-	$-	$-	$-	$-
Changes in 2017	(58,352)	-	-	-	(58,352)
December 31, 2017	$(58,352)	$-	$-	$-	$(58,352)
Changes in 2018	(13,316)	-	-	-	(13,316)
September 30, 2018	**$(71,668)**	**$-**	**$-**	**$-**	**$(71,668)**
CARRYING AMOUNT					
December 31, 2016	$349,770	$834,452	$55,522	$37,491	$1,277,235
December 31, 2017	$777,096	$754,710	$59,987	$78,417	$1,670,210
September 30, 2018	**$1,085,840**	**$694,226**	**$69,065**	**$76,747**	**$1,925,878**

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred new product dossier, regulatory filing, and other costs of $1,194,382 (December 31, 2017 – $862,526) to date on eight products, two for which the Company has suspended further regulatory work and, 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 launched products are being amortized on a straight-line basis over their estimated finite useful lives of 5 years based on marketability. For the nine months ended September 30, 2018, $9,796 of amortization expense (nine months ended September 30, 2017 – $10,399) 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)*.

During the period, the Company abandoned further regulatory work related to a certain product and recognized an impairment loss of $13,316 on this asset which is included in the Company's Selling, General and Administration expenses in the Company's consolidated statements of comprehensive income for the period *(see Note 15)*.

Product Licenses and Rights

Cumulatively, the Company has incurred costs related to the acquisition of product licenses and rights totalling $893,020 to September 30, 2018 (December 31, 2017 – $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, 2017 - $859,400) related to the acquisition and commercialization of Cysview®, which was launched in the Canadian market in November 2015. This asset has a finite life and is being amortized on a straight-line basis over the 11 year term of the agreement. For the nine months ended September 30, 2018, $60,484 of amortization expense (nine months ended September 30, 2017 - $58,569) has been included in Selling, General and Administration expenses in the Company's consolidated statements of comprehensive income in respect of this asset (*see Note 15*).

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

On 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, non-transferable, non-assignable license to import, promote and sell these products in Canada.

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 30,040) 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)*.

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling $69,065 (December 31, 2017 - $59,987) 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 $84,244 (December 31, 2017 - $82,701) relating to product registration application costs in various jurisdictions. These assets have finite lives and are being amortized on a straight-line basis over the terms of the respective trademarks and patents (ranging from 7 to 15 years). For the nine months ended September 30, 2018, $3,213 of amortization expense (nine months ended September 30, 2017 - $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.

On May 26, 2017, the Company advanced loan proceeds totalling $391,500 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% per annum and is secured by a pledge of the common shares purchased under the MSLP by the Borrowers. Interest receivable of $5,306 was accrued on the loans between May 26, 2017 and September 30, 2018 (December 31, 2017 - $2,360). $2,946 of interest income on the MSLP Participant Loans has been included in Finance Income on the Company's Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2018 (nine months ended September 30, 2017 - $1,373).

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 May 26, 2022 (the "Maturity Date").

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 IAS 39, *Financial Instruments: Recognition and Measurement*.

13. 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, 2016	14,401,087	$7,299,872
Options exercised	108,008	218,531
Balance December 31, 2017	14,509,095	$7,518,403
Options exercised	10,508	99,527
Balance September 30, 2018	**14,519,603**	**$7,617,930**

During the nine months ended September 30, 2018, 10,508 common shares (nine months ended September 30, 2017 – 90,208) were issued against options exercised and $47,909 in fair value has been transferred from contributed surplus to share capital (September 30, 2017 - $91,931).

c. There are nil preferred shares outstanding as of September 30, 2018 (December 31, 2017 – 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 29, 2018. 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 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%

On August 15, 2017, 5,921 options were granted by the Company to a member of senior management under the SOP. One-fourth of these options shall vest at each anniversary date over four years to August 16, 2021. The fair value of these options granted with an exercise price of $8.60 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	$8.60
Risk-free interest rate	1.85%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	147.44%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	$8.45
Forfeiture rate	0.53%

On January 8, 2018, 35,567 options 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, 3,120 options 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, 11,313 options 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%

During the nine months ended September 30, 2018, the Company recorded net share-based payment expense of $289,704 (nine months ended September 30, 2017 - $193,007) relating to option grants to employees, directors, officers and advisors under the SOP, which are included in Selling, General and Administration expenses in the consolidated statements of comprehensive income.

As at September 30, 2018, there were 157,184 options outstanding (December 31, 2017 – 128,411), as shown below:

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	128,411	$7.20	211,138	$3.97
Granted	50,000	$9.62	37,148	$7.55
Expired or forfeited	(10,719)	$8.52	(11,867)	$7.06
Exercised	(10,508)	$4.91	(108,008)	$1.03
Outstanding, end of period	157,184	$8.03	128,411	$7.20

Of the total number of options outstanding as of September 30, 2018, 55,037 options have vested and are exercisable by the option holders (December 31, 2017 – 42,244). These exercisable options have a weighted average exercise price of $7.57 (December 31, 2017 - $6.53).

The weighted-average remaining contractual life of the 157,184 (December 31, 2017 – 128,411) options outstanding is 7.46 years (December 31, 2017 – 7.04 years) and the range of exercise prices for these options is $4.45 - $10.97 (December 31, 2017- $4.45 - $10.97).

10,508 options were exercised during the nine months ended September 30, 2018 (nine months ended September 30, 2017 – 90,208). The weighted average share price on the date of exercise of the options exercised during the nine months ended September 30, 2018 was $9.69 (September 30, 2017 - $7.75).

Employee Share Purchase Plan

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

During the nine months ended September 30, 2018, the Company recorded share-based payment expense of $50,194 (nine months ended September 30, 2017 - $46,550) 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.

14. Comparative Figures

For the comparative three and nine month periods ended September 30, 2017, certain foreign exchange gains of $280,300 and $373,170, respectively, have been reclassified from Selling, General and Administration expenses to Finance Income to conform to the current period presentation of such amounts in the interim consolidated statement of comprehensive income. This reclassification had no impact on previously reported total expenses or net income after income tax.

15. 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.

	Nine months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017
Cost of Goods Sold	$3,542,971	$3,397,110	$1,155,171	$1,210,062
Selling and Marketing	$3,972,223	$3,919,329	$1,323,241	$1,340,613
Advertising, Promotion and Selling Costs	1,920,852	1,987,089	623,497	686,330
Employee Costs	1,837,504	1,658,893	634,358	549,751
Share-based Payments	28,034	56,243	12,858	21,089
Logistics, Quality Control & Regulatory	185,833	217,104	52,528	83,443
General and Administration	$3,246,232	$3,068,878	$1,239,985	$1,437,586
Professional Fees	104,856	112,848	25,044	43,733
Corporate Expenses	551,118	466,024	166,753	132,642
Depreciation and Amortization	134,294	133,765	45,075	46,711
Employee Costs	2,045,059	1,651,300	779,126	680,658
Share-based Payments	311,864	188,664	67,854	69,354
Information Technology	88,960	70,958	29,557	20,480
Insurance	61,266	61,320	20,842	21,632
Medical Affairs	15,526	16,625	3,579	5,855
Impairment Losses: Intangible Assets	13,316	58,352	13,316	-
Net Foreign Exchange Gains (Losses)*	(80,027)	309,022	88,839	416,521
New Business & Development Costs	$73,406	$33,067	$30,551	$7,090
Finance Income	$ (597,404)	$ (457,834)	$ (255,851)	$ (306,814)
Interest Income	(216,939)	(84,664)	(81,886)	(26,514)
Foreign Exchange Gains – Investing*	(380,465)	(373,170)	(173,965)	(280,300)

* For the comparative three and nine month periods ended September 30, 2017, certain foreign exchange gains of $280,300 and $373,170, respectively, have been reclassified from Selling, General and Administration expenses to finance income to conform to the current period presentation of such amounts in the interim consolidated statement of comprehensive income.

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.

16. Earnings per Share

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

	Nine months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017
Numerator				
Net income attributable to common shareholders	$4,033,976	$3,749,049	$1,270,613	$1,294,575
Denominator				
Basic				
Weighted average number of shares outstanding	14,513,003	14,452,467	14,519,613	14,478,199
Effect of Dilutive Securities adjusted for exercised options	32,182	65,724	28,977	43,711
Diluted				
Weighted average number of shares outstanding	14,545,185	14,518,191	14,548,590	14,521,910
Basic earnings per share	$0.28	$0.26	$0.09	$0.09
Diluted earnings per share	$0.28	$0.26	$0.09	$0.09

17. Contingencies

Litigations

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at September 30, 2018, 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 $217,547 (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 11),* the Company will make annual license fee payments to its European partner in each of the first four years of the Agreement equal to 1% of the Company's net sales of the product in Canada.

18. Commitments

Office Lease

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

Fiscal 2018	$ 47,121
Fiscal 2019	$ 15,707*

*Subsequent to September 30, 2018, the Company executed an extension of its office lease.

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

The table below summarizes compensation for key management personnel of the Company for the three and nine months ended September 30, 2018 and 2017:

	Nine months ended Sept. 30,		Three months ended Sept. 30,	
	2018	2017	2018	2017
Number of Key Management Personnel	7	5	7	5
Salary and Bonus	$736,575	$597,606	$245,331	$214,481
Share-Based Payments	$155,600	$101,279	$38,673	$51,926

During the nine months ended September 30, 2018, the Company recorded share-based payment expense of $155,600 (nine months ended September 30, 2017 - $101,279) 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.

Management Share Loan Plan ("MSLP")

On May 26, 2017, a total of $391,500 of loan proceeds were advanced to management personnel by the Company for the purpose of their purchase of the Company's issued and outstanding common shares in the open market through the facilities of the TSX Venture Exchange.

Each MSLP participant's loan bears interest at a rate of 1% 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 in proportion to the then outstanding loan principal balance plus accrued interest. The entire MSLP Participant Loan principal plus accrued interest must be fully repaid by the Borrowers no later than May 26, 2022 (the "Maturity Date") (*see Note 12*).

To September 30, 2018, aggregate interest of $5,306 (December 31, 2017- $2,360) was accrued on the outstanding loan principal balances receivable from MSLP participants.

Transactions with Directors

During the nine months ended September 30, 2018, the Company paid total fees to its directors in the amount of $81,900 (nine months ended September 30, 2017 - $66,150) and share-based payments of $92,588 (nine months ended September 30, 2017 - $24,535).

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:

September 30, 2018	$26,554,310
December 31, 2017	$22,212,927

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 September 30, 2018. There were no changes in the Company's approach to capital management during the period.

20. Credit Facilities

The Company has credit facilities available with Royal Bank of Canada totalling $3,090,000, including a revolving demand credit facility of $1,500,000, which has not been utilized as of September 30, 2018, 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.

21. 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 rates of 26.5% (2017– 26.5%) in the Canadian jurisdiction, 21.0% (2017 – 35.0%) in the U.S. jurisdiction, and 2.5% (2017 – 2.5%) in the Barbados jurisdiction.

22. 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

	Nine months endedSeptember 30,		Three months ended September 30,	
	2018	2017	2018	2017
Canada				
Pharmaceutical Business	$13,506,185	$11,919,406	$4,709,409	$4,228,711
Insecticide Business	650,967	1,232,200	268,283	554,777
Total Canada	$14,157,152	$13,151,606	$4,977,692	$4,783,488
International Jurisdictions				
Pharmaceutical Business – Middle East	$1,359,125	$1,607,985	$281,801	$570,328
Insecticide Business – United States	99,786	101,676	–	49,784
Total International Jurisdictions	$1,458,911	$1,709,661	$281,801	$620,112
Total Revenue	$15,616,063	$14,861,267	$5,259,493	$5,403,600

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 international jurisdictions.

Non-Current Assets	September 30, 2018	December 31, 2017
Canada	$2,540,300	$2,317,387
United States	$ 42,518	$ 46,647
Barbados	$ 39,153	$ 37,609

Corporate Information

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René C. Goehrum (Chair)
Ontario, Canada

Peter D. Lockhard (Lead Director)
Ontario, Canada

Stephen Wilton
Ontario, Canada

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Chief Executive Officer

Robert March
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