BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

August 23, 2022

Expressed in Canadian Dollars

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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 six months ended June 30, 2022 and 2021.

Robert J. March

Vice-President and Chief Financial Officer, BioSyent Inc.

August 23, 2022

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

AS AT	June 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents *(Note 6)*	$ 6,309,067	$ 18,035,275
Short term investments *(Note 7)*	21,589,483	10,176,395
Income tax recoverable	78,067	-
Trade and other receivables *(Note 8)*	3,347,572	2,787,305
Inventory *(Note 9)*	2,775,473	2,204,331
Prepaid expenses and deposits	563,785	456,034
Loans receivable - current *(Note 13)*	64,869	420,104
CURRENT ASSETS	34,728,316	34,079,444
Property and equipment *(Note 11)*	1,804,937	1,931,569
Intangible assets *(Note 12)*	950,759	874,026
Loans receivable - non current *(Note 13)*	347,677	183,201
Deferred tax asset	148,066	99,216
TOTAL NON CURRENT ASSETS	3,251,439	3,088,012
TOTAL ASSETS	$ 37,979,755	$ 37,167,456
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 3,332,170	$ 3,563,134
Contract liability *(Note 14)*	230,048	226,023
Customer advances	6,443	87,609
Lease liability - current *(Note 15)*	168,691	161,809
Income tax payable	-	98,691
CURRENT LIABILITIES	3,737,352	4,137,266
Deferred tax liability	206,244	80,161
Lease liability - non current *(Note 15)*	1,308,919	1,395,103
TOTAL NON CURRENT LIABILITIES	1,515,163	1,475,264
Share capital *(Note 16)*	5,580,939	5,796,864
Contributed surplus	1,976,241	1,818,635
Cumulative translation adjustment	(181,778)	(185,260)
Retained earnings	25,351,838	24,124,687
TOTAL EQUITY	32,727,240	31,554,926
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 37,979,755	$ 37,167,456

Contingencies *(Note 19)*
Commitments *(Note 20)*
Related party transactions *(Note 21)*
APPROVED ON BEHALF OF THE BOARD

René Goehrum	Peter Lockhard
DIRECTOR	DIRECTOR
August 23, 2022	August 23, 2022

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)

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Net revenues from contracts with customers *(Note 25)*	$ 6,634,875	$ 7,289,254	$ 13,672,286	$ 14,709,143
Cost of goods sold *(Notes 9, 17)*	1,170,804	1,586,168	2,617,460	3,150,062
Gross profit	5,464,071	5,703,086	11,054,826	11,559,081
Selling, general and administration expenses *(Note 17)*	3,861,488	4,318,874	7,304,994	7,896,784
New business development costs *(Note 17)*	12,223	15,105	31,997	54,341
Operating profit	1,590,360	1,369,107	3,717,835	3,607,956
Finance costs *(Notes 15, 17)*	19,502	21,504	39,295	43,255
Finance income *(Note 17)*	(78,273)	(30,968)	(120,766)	(67,584)
NET INCOME BEFORE TAXES	1,649,131	1,378,571	3,799,306	3,632,285
Current income tax	436,893	380,744	916,286	972,562
Deferred tax expense (recovery)	(5,645)	(20,247)	77,233	(22,719)
NET INCOME AFTER TAXES	1,217,883	1,018,074	2,805,787	2,682,442
OTHER COMPREHENSIVE INCOME				
Currency translation gains (losses)	29,822	(22,501)	3,482	(92,944)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,247,705	$ 995,573	$ 2,809,269	$ 2,589,498
Basic weighted average number of shares outstanding *(Note 18)*	12,394,588	12,703,681	12,429,844	12,745,167
Basic earnings per share *(Note 18)*	$ 0.098	$ 0.080	$ 0.226	$ 0.210
Diluted weighted average number of shares outstanding *(Note 18)*	12,651,245	12,905,021	12,660,746	12,916,698
Diluted earnings per share *(Note 18)*	$ 0.096	$ 0.079	$ 0.222	$ 0.208

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 six months ended June 30,	
	2022	2021
OPERATING ACTIVITIES		
Net income after taxes	$ 2,805,787	$ 2,682,442
Items not affecting cash:		
Depreciation - property and equipment *(Notes 11, 17)*	150,722	153,428
Amortization - intangible assets *(Notes 12, 17)*	47,388	89,484
Share-based payments *(Note 16)*	197,047	156,612
Change in derivative liability *(Note 10)*	-	(61,302)
Net finance income *(Note 17)*	(81,471)	(24,329)
Loan interest receivable *(Note 13)*	(2,000)	(2,962)
Deferred tax expense (recovery)	77,233	(22,719)
Net change in non-cash working capital items:		
Trade and other receivables	(524,922)	(1,514,253)
Inventory	(571,142)	(184,685)
Prepaid expenses and deposits	(107,751)	(23,666)
Accounts payable and accrued liabilities	(230,964)	(422,010)
Contract liability	4,025	(86,887)
Customer advances	(81,166)	(628,864)
Income tax recoverable / payable	(176,758)	20,162
Cash provided by operating activities	1,506,028	130,451
INVESTING ACTIVITIES		
Additions to property and equipment *(Note 11)*	(24,090)	(31,494)
Additions to intangible assets *(Note 12)*	(124,121)	(2,382)
Increase in short term investments *(Note 7)*	(11,413,088)	(3,877,383)
Interest received	85,421	87,020
MSLP loan repayments received *(Note 13)*	192,759	-
Cash used in investing activities	(11,283,119)	(3,824,239)
FINANCING ACTIVITIES		
Payments - lease liability principal *(Note 15)*	(79,302)	(75,344)
Payments - lease liability interest *(Note 15)*	(39,295)	(43,255)
Repurchase of common shares - NCIB *(Note 16)*	(1,676,144)	(525,970)
Purchase of RSU Plan shares - held in trust *(Note 16)*	(197,938)	(219,019)
Proceeds from stock options exercised *(Note 16)*	40,080	8,090
Cash used in financing activities	(1,952,599)	(855,498)
Effect of foreign currency translation adjustment	3,482	(92,944)
DECREASE IN CASH AND CASH EQUIVALENTS	(11,726,208)	(4,642,230)
Cash and cash equivalents, beginning of period	18,035,275	20,291,421
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 6,309,067	$ 15,649,191
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	$ 28,211,670	$ 25,577,706
Increase in short term investments	11,413,088	3,877,383
Decrease in cash and cash equivalents	(11,726,208)	(4,642,230)
CASH AND SHORT TERM INVESTMENTS - END OF PERIOD	$ 27,898,550	$ 24,812,859
CASH PAID FOR TAXES	$ (1,093,043)	$ (952,399)

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, 2022	$ 5,796,864	$ 1,818,635	$ (185,260)	$ 24,124,687	$ 31,554,926
Comprehensive Income for the period	-	-	3,482	2,805,787	2,809,269
Common shares repurchased under Normal Course Issuer Bid *(Note 16)*	(97,508)	-	-	(1,578,636)	(1,676,144)
Common shares purchased and held in RSU Plan Trust *(Note 16)*	(197,938)	-	-	-	(197,938)
Effect of Share-based payments: Options vested *(Note 16)*	-	15,963	-	-	15,963
Effect of Share-based payments: Options exercised *(Note 16)*	79,521	(39,441)	-	-	40,080
Effect of Share-based payments: RSU expense *(Note 16)*	-	181,084	-	-	181,084
Balance as of June 30, 2022	$ 5,580,939	$ 1,976,241	$ (181,778)	$ 25,351,838	$ 32,727,240

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2021	$ 6,392,428	$ 1,494,419	$ (166,705)	$ 19,075,814	$ 26,795,956
Comprehensive Income for the period	-	-	(92,944)	2,682,442	2,589,498
Common shares repurchased under Normal Course Issuer Bid *(Note 16)*	(37,190)	-	-	(488,780)	(525,970)
Common shares purchased and held in RSU Plan Trust *(Note 16)*	(219,019)	-	-	-	(219,019)
Effect of Share-based payments: Options vested *(Note 16)*	-	42,109	-	-	42,109
Effect of Share-based payments: Options exercised *(Note 16)*	16,086	(7,996)	-	-	8,090
Effect of Share-based payments: RSU Expense *(Note 16)*	-	114,503	-	-	114,503
Balance as of June 30, 2021	$ 6,152,305	$ 1,643,035	$ (259,649)	$ 21,269,476	$ 28,805,167

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

1. General Information

BioSyent Inc. ("**BioSyent**" or the "**Company**"), is a publicly traded specialty pharmaceutical company which, through its wholly-owned subsidiaries, BioSyent Pharma Inc. ("**BioSyent Pharma**") and BioSyent Pharma International Inc., acquires or licences and further develops pharmaceutical and other healthcare products for sale in Canada and certain international markets. Hedley Technologies Ltd., a wholly-owned subsidiary of BioSyent, operates the Company's legacy business marketing biologically and health friendly non-chemical insecticides. BioSyent's 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. ("**Hedley USA**").

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

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

These Financial Statements were approved by the Board of Directors on August 23, 2022.

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" ("**IAS 34**"). 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, 2021.

Basis of Consolidation

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

Functional and Presentation Currency

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

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

3. Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of these Financial Statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2021.

Accounting Pronouncements Issued but not yet Effective

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

4. Use of Estimates and Accounting Judgments by Management

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the Company's consolidated financial statements for the year ended December 31, 2021.

5. COVID-19

On March 11, 2020, the World Health Organization characterized COVID-19 (Coronavirus) as a pandemic. The COVID-19 pandemic has impacted and is likely to continue to impact the Company's operations in the following key areas:

a. Workforce:

The Company will continue to follow the recommendations of public health and government authorities and to take all necessary precautions, including remote work arrangements, the ongoing practice of physical distancing, making personal protective equipment available to employees, and ensuring employees' understanding of good hygiene practices and infection risks, in order to protect the health and safety of its workforce, both in its head office and in the field.

b. Access to Healthcare Professionals:

COVID-19 restrictions have affected the ability of the Company's field salesforce to access healthcare professionals in the community and in hospitals for the purposes of product detailing. While the extent and duration of such access restrictions varies by region in Canada and internationally, such restrictions may have an impact on the Company's pharmaceutical sales during the time they are in place.

c. Demand for Products:

To the extent that the COVID-19 pandemic affects patient volumes (both in community clinics and in hospitals) and the nature of procedures performed in Canadian hospitals, this will affect the consumption of the Company's non-prescription products, prescription products, urgent care products as well as its hospital products used in elective procedures.

Additionally, to the extent that the COVID-19 pandemic and safety restrictions affect consumer buying behaviour, this will affect demand for the Company's pharmaceutical products in the community. The extent of the impact of COVID-19 on consumer demand for the Company's products in the short-term and long-term is uncertain.

Finally, given the global scale of COVID-19, demand for the Company's products in international markets may also be affected, depending on the extent of local infection rates, the measures implemented by local governments in response, and the overall impact of the pandemic on business activity in these international markets.

d. Supply Chain:

The Company sources its products globally. Given the global impact of the COVID-19 pandemic and varying localized impacts, this could result in interruptions to the Company's supply chains, including the manufacturing, transportation, and delivery of products to customers.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	June 30, 2022	December 31, 2021
Cash on deposit in banks	$4,742,824	$14,470,449
Redeemable GICs	1,566,243	3,564,826
Total cash and cash equivalents	$6,309,067	$18,035,275

7. Short term Investments

Short term investments consist of the following:

	June 30, 2022	December 31, 2021
Non-redeemable GICs	$19,580,930	$8,544,166
Dual Currency Deposits *(Note 10)*	2,008,553	1,632,229
Total short term investments	$21,589,483	$10,176,395

8. Trade and Other Receivables

Trade and other receivables is comprised of the following:

	June 30, 2022	December 31, 2021
Trade accounts receivable *(Note 10)*	$2,963,889	$2,494,377
Other receivables	383,683	292,928
Total trade and other receivables	$3,347,572	$2,787,305

9. Inventory

Inventory is comprised of the following:

	June 30, 2022	December 31, 2021
Raw and Packaging Materials	$375,725	$414,641
Finished Goods	2,399,748	1,789,690
Total inventory	$2,775,473	$2,204,331

Cost of Goods Sold consists of the following:

	Three months ended June 30,	
	2022	2021
Raw and Packaging Materials and Finished Goods	$1,107,383	$1,535,226
Freight	63,421	50,942
Total cost of goods sold	$1,170,804	$1,586,168

	Six months ended June 30,	
	2022	2021
Raw and Packaging Materials and Finished Goods	$2,483,235	$3,066,998
Freight	134,225	83,064
Total cost of goods sold	$2,617,460	$3,150,062

10. 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, trade and other receivables, loans receivable, and accounts payable and accrued liabilities approximate their fair values.

Risks

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

➢ **Dual Currency Deposits:**

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

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

June 30, 2022	Level 1	Level 2	Level 3
DCDs	-	$2,008,553	-

December 31, 2021	Level 1	Level 2	Level 3
DCDs	-	$1,632,229	-

At June 30, 2022, the Company had the following CAD denominated DCDs that were convertible into USD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.2607	$1,000,000	$1,005,495	2.61%	July 14, 2022	1.2400
DCD	1.2579	$1,000,000	$1,003,058	4.65%	September 3, 2022	1.2485

At December 31, 2021, the Company had the following CAD denominated DCD that was convertible into USD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.2379	$1,000,000	$1,000,000	1.00%	January 18, 2022	1.2100

At December 31, 2021, the Company had the following USD denominated DCD that was convertible into CAD:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (USD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
DCD	1.2707	$500,000	$632,229	1.78%	February 24, 2022	1.3000

- **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 uses foreign exchange options, forward contracts, and DCDs to manage foreign exchange transaction exposure.

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

Foreign Exchange Sensitivity Analysis - USD

	June 30, 2022	December 31, 2021
Description of Asset/(Liability)	USD	USD
Cash and cash equivalents	937,148	1,566,818
Short term investments	-	500,000
Trade receivables	53,758	66,563
Less: Accounts payable	(120,245)	(396,983)
Less: Customer advances	(5,000)	(69,103)
Net Total	865,661	1,667,295
Foreign Exchange Rate CAD per USD at the end of the period	1.2886	1.2678

At June 30, 2022, if the U.S. dollar had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $81,989 higher or lower on an after-tax basis, respectively (December 31, 2021 - $155,364 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis - EUR

	June 30, 2022	December 31, 2021
Description of Asset/(Liability)	EUR	EUR
Cash and cash equivalents	757,902	899,198
Less: Accounts payable	(374,157)	(433,957)
Net Total	383,745	465,241
Foreign Exchange Rate CAD per EUR at the end of the period	1.3467	1.4391

At June 30, 2022, if the Euro had been stronger or weaker by 10% against the Canadian dollar with all other variables held constant, comprehensive income would have been $37,984 higher or lower on an after-tax basis, respectively (December 31, 2021 - $49,210 higher or lower, respectively).

➢ **Interest Rate Risk:**

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

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

➢ **Credit Risk:**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short term investments, trade and other receivables, and loans receivable. The carrying amount of financial assets represents maximum credit exposure. As the Company invests in GICs with Canadian Chartered Banks, its credit risk on this account is negligible. The Company's loans receivable *(see Note 13)* are full recourse and secured by a pledge of common shares of the Company purchased by the Borrowers, who are key management personnel. Based on these factors, the Company considers the credit risk associated with these loans receivable to be low. There are no factors at the end of the period to indicate a significant increase in credit risk has occurred and there are no defaults on the loans receivable.

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

Aged Trade Accounts Receivable	June 30, 2022	December 31, 2021
Current	$ 2,631,715	$ 1,134,925
Past due 1-30 days	301,624	1,137,301
Past due 31-60 days	11,025	62,136
Past due over 60 days	72,536	213,026
Expected credit loss	(53,011)	(53,011)
Closing Balance *(Note 8)*	$ 2,963,889	$ 2,494,377
Maximum Credit Risk	3,016,900	2,547,388

As of June 30, 2022, one customer represents 46% of trade receivables (December 31, 2021 - 36%) while another customer represents 16% of trade receivables (December 31, 2021 - 21%), a third customer represents 11% of trade receivables (December 31, 2021 - 11%), and a fourth customer represents 5% of trade receivables (December 31, 2021 – 13%). There have been no past credit losses from these customers.

The Company has provided for expected credit losses of $53,011 (December 31, 2021 - $53,011) related to certain disputed deductions on trade receivables by certain Canadian pharmaceutical wholesale 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 financial liabilities not carried at fair value.

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 period ended June 30, 2022.

11. Property and equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Right-of-Use Asset *(see Note 15)*	Leasehold Improvements	Total
COST:							
December 31, 2020	$ 254,939	$ 220,078	$ 275,503	$ 371,065	$ 1,330,455	$ 680,511	$ 3,132,551
2021 Additions	-	-	57,316	27,394	-	-	84,710
December 31, 2021	$ 254,939	$ 220,078	$ 332,819	$ 398,459	$ 1,330,455	$ 680,511	$ 3,217,261
2022 Additions	-	-	24,090	-	-	-	24,090
June 30, 2022	**$ 254,939**	**$ 220,078**	**$ 356,909**	**$ 398,459**	**$ 1,330,455**	**$ 680,511**	**$ 3,241,351**
ACCUMULATED DEPRECIATION:							
December 31, 2020	$ (120,916)	$ (95,442)	$ (202,763)	$ (283,928)	$ (177,395)	$ (90,409)	$ (970,853)
Changes in 2021	(26,805)	(26,266)	(30,420)	(30,251)	(133,046)	(68,051)	(314,839)
December 31, 2021	$ (147,721)	$ (121,708)	$ (233,183)	$ (314,179)	$ (310,441)	$ (158,460)	$ (1,285,692)
Changes in 2022	(10,722)	(10,305)	(16,505)	(12,642)	(66,523)	(34,025)	(150,722)
June 30, 2022	**$ (158,443)**	**$ (132,013)**	**$ (249,688)**	**$ (326,821)**	**$ (376,964)**	**$ (192,485)**	**$ (1,436,414)**
CARRYING AMOUNT							
December 31, 2020	$ 134,023	$ 124,636	$ 72,740	$ 87,137	$ 1,153,060	$ 590,102	$ 2,161,698
December 31, 2021	$ 107,218	$ 98,370	$ 99,636	$ 84,280	$ 1,020,014	$ 522,051	$ 1,931,569
June 30, 2022	**$ 96,496**	**$ 88,065**	**$ 107,221**	**$ 71,638**	**$ 953,491**	**$ 488,026**	**$ 1,804,937**

12. Intangible Assets

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks and Patents	Trade Certifications	Total
COST:						
December 31, 2020	$ 1,532,058	$ 953,020	$ 132,499	$ 103,066	$ 3,936	$ 2,724,579
2021 Additions	354	-	-	8,117	-	8,471
December 31, 2021	$ 1,532,412	$ 953,020	$ 132,499	$ 111,183	$ 3,936	$ 2,733,050
2022 Additions	122,121			2,000		124,121
June 30, 2022	**$ 1,654,533**	**$ 953,020**	**$ 132,499**	**$ 113,183**	**$ 3,936**	**$ 2,857,171**
ACCUMULATED AMORTIZATION:						
December 31, 2020	$ (141,498)	$ (379,307)	$ (1,504)	$ (18,152)	$ (1,589)	$ (542,050)
Changes in 2021	(83,013)	(41,800)	(6,907)	(9,795)	(752)	(142,267)
December 31, 2021	$ (224,511)	$ (421,107)	$ (8,411)	$ (27,947)	$ (2,341)	$ (684,317)
Changes in 2022	(38,072)	(1,771)	(3,453)	(3,718)	(374)	(47,388)
June 30, 2022	**$ (262,583)**	**$ (422,878)**	**$ (11,864)**	**$ (31,665)**	**$ (2,715)**	**$ (731,705)**
ACCUMULATED IMPAIRMENT LOSSES:						
December 31, 2020	$ (713,341)	$ (461,366)	$ -	$ -	$ -	$ (1,174,707)
Changes in 2021	-	-	-	-	-	-
December 31, 2021	$ (713,341)	$ (461,366)	$ -	$ -	$ -	$ (1,174,707)
Changes in 2022	-	-	-	-	-	-
June 30, 2022	**$ (713,341)**	**$ (461,366)**	**$ -**	**$ -**	**$ -**	**$ (1,174,707)**
CARRYING AMOUNT						
December 31, 2020	$ 677,219	$ 112,347	$ 130,995	$ 84,914	$ 2,347	$ 1,007,822
December 31, 2021	$ 594,560	$ 70,547	$ 124,088	$ 83,236	$ 1,595	$ 874,026
June 30, 2022	**$ 678,609**	**$ 68,776**	**$ 120,635**	**$ 81,518**	**$ 1,221**	**$ 950,759**

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred product dossier and filing costs of $1,654,533 (December 31, 2021 – $1,532,412) to date on several products. The filing costs incurred in respect of launched products are being amortized on a straight-line basis over their estimated finite useful lives based on marketability, ranging from 1 to 15 years.

On November 7, 2016, the Company entered into a License and Supply Agreement with a European partner to acquire the exclusive Canadian rights to use the product registration documentation of a women's health pharmaceutical product and a license to sell, market and distribute this product in Canada under the brand name Tibella®. On May 10, 2019, the Company received regulatory approval from Health Canada for the Tibella® product which was subsequently launched in Canada in July 2020. The Company has incurred $466,123 in development costs related to this product. Such costs are included in intangible assets as New Product Dossier and Filing Costs and are being amortized on a straight-line basis over the 8-year estimated useful life of the product.

In November 2019, the Company entered into a License and Exclusive Supply Agreement with AFT Pharmaceuticals Ltd ("AFT") to acquire a license to market, sell and distribute a portfolio of pain management products in Canada. The Company launched the Combogesic® product in Canada in December 2020. The Company has directly incurred $314,488 in development costs related to these products. Such costs are included in intangible assets as New Product Dossier and Filing Costs and are amortized over the estimated useful lives of the Combogesic® products. During the 15-year term of the License and Exclusive Supply Agreement, the Company is committed to certain royalty payments based on the net sales of the products in Canada *(see Note 19)*.

For the six months ended June 30, 2022, $38,072 of amortization expense on New Product Dossier and Filing Costs (six months ended June 30, 2021 - $44,158) 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 17)*.

Product Licenses and Rights

Cumulatively, the Company has incurred costs related to the acquisition of product licenses and rights totalling $953,020 (December 31, 2021 – $953,020).

On November 7, 2016, the Company paid a EUR 20,000 license fee upon signing the License and Supply Agreement for the Tibella® product, which is being amortized over the 8-year estimated useful life of the product. The Company is also committed to certain annual license fee payments to its European partner contingent upon the future sales of the product *(see Note 19)*.

On October 1, 2020, the Company entered into an exclusive License and Supply Agreement to acquire the exclusive rights to distribute a women's health product in Canada and a license of certain trademarks and technology related thereto. The product has not yet been launched by the Company and amortization of the asset has not yet commenced.

For the six months ended June 30, 2022, $1,771 of amortization expense on product licenses and rights (six months ended June 30, 2021 - $39,003) 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 17)*.

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling $132,499 (December 31, 2021 - $132,499) relating to the development of new products. The Company has commenced amortization of certain of these costs upon the completion of development. For the six months ended June 30, 2022, $3,453 of amortization expense (six months ended June 30, 2021 - $3,453) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these development costs *(see Note 17)*.

Trademarks and Patents

The Company has incurred cumulative trademark and patent application and filing costs of $113,183 (December 31, 2021 - $111,183) relating to product registration application costs in various jurisdictions. These assets have finite lives and are being amortized on a straight-line basis over the terms of the respective trademarks and patents (ranging from 10 to 15 years). For the six months ended June 30, 2022, $3,718 of amortization expense (six months ended June 30, 2021 - $2,496) 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 17)*.

Trade Certifications

The Company has incurred legal and other costs in obtaining certain international trade certifications and permits totalling $3,936 (December 31, 2021 - $3,936). This asset is being amortized over its 5-year estimated useful life. For the six months ended June 30, 2022, $374 of amortization expense (six months ended June 30, 2021 - $374) has been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income in respect of these development costs *(see Note 17)*.

13. Loans Receivable

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

	Loans Receivable ($)
Balance, December 31, 2020	597,332
Accrued Interest	5,973
Balance, December 31, 2021	603,305
Repayments	(192,759)
Accrued Interest	2,000
Balance, June 30, 2022	**412,546**
Current portion, June 30, 2022	**64,869**
Long-term portion, June 30, 2022	**347,677**
Current portion, December 31, 2021	420,104
Long-term portion, December 31, 2021	183,201

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

Each full recourse MSLP participant's loan (collectively, the "MSLP Participant Loans") bore interest at rates ranging from 1.00% – 2.00% per annum and had a maturity date of five years for the date that the loan was advanced, being either May 26, 2022 or December 11, 2023 (the "original Maturity Dates").

On March 9, 2022, the Board approved an amendment of the MSLP loans which provided for an extended repayment schedule. On May 26, 2022, the Company entered into amended loan agreements with certain Borrowers under this extended repayment schedule. Under the terms of these amended loan agreements, the Borrowers were required to repay 10% of the MSLP loan principal amount plus any and all accrued interest on the MSLP loan principal amount as of and on the original Maturity Dates.

The MSLP loan principal amounts which remain outstanding following such repayment continue to bear interest at a prescribed rate of 1.00% per annum or more, with annual repayments of 20% – 40% of such remaining MSLP loan principal amounts plus accrued interest thereon due and payable by the Borrowers on the anniversary date of the original Maturity Dates with the final repayment for all MSLP loans due and payable no later than May 26, 2027 (the "extended Maturity Date").

The modification of certain MSLP loans on May 26, 2022 resulted in no change to the gross carrying amount of such loans; as such, the Company recognized no modification gain or loss on these MSLP loans.

All common shares of the Company purchased with the proceeds of a loan are required to be pledged as security for the satisfaction and performance of the loan obligations. If the Borrower ceases to be employed by the Company or a subsidiary of the Company prior to the end of the original Maturity Dates or the extended Maturity Date, as applicable, all outstanding loan obligations shall become due and payable on the thirtieth (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.

Subject to the pledge on the common shares in favour of the Company, the Borrower is the sole owner of all common shares purchased on its behalf pursuant to the MSLP. All proceeds from the sale of common shares acquired through the MSLP are expected to be directed to the Company until the loan obligations have been satisfied in full.

Interest receivable of $2,000 was accrued on the loans for the six months ended June 30, 2022 (six months ended June 30, 2021 – $2,962) and has been included in finance income on the Company's Consolidated Statements of Comprehensive Income.

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

14. Contract Liability

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

The table below summarizes changes in the contract liability for the six months ended June 30, 2022:

	Contract Liability ($)
Balance, December 31, 2020	246,124
Estimated variable consideration	221,266
Settlement of variable consideration	(241,367)
Balance, December 31, 2021	**226,023**
Estimated variable consideration	82,693
Settlement of variable consideration	(78,668)
Balance, June 30, 2022	**230,048**

15. Lease Liability

The Company leases its head office space in Mississauga, Ontario, Canada. The Company's current office lease commenced on September 1, 2019 and extends to August 31, 2029. The Company has an option to extend this lease beyond the 10-year non-cancellable term for a further term of 5 years. As per IFRS 16 *Leases,* the Company has recognized a right-of-use asset in respect of this office lease based on a 10-year lease term *(see Note 11).*

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

	Lease Liability ($)
Balance, December 31, 2020	**1,708,861**
Interest expense	85,246
Payments	(237,195)
Balance, December 31, 2021	**1,556,912**
Interest expense	39,295
Payments	(118,597)
Balance, June 30, 2022	**1,477,610**
Current portion, June 30, 2022	**168,691**
Long-term portion, June 30, 2022	**1,308,919**
Current portion, December 31, 2021	**161,809**
Long-term portion, December 31, 2021	**1,395,103**

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

Fiscal Year	Lease Payments
2022	$ 120,355
2023	$ 242,466
2024	$ 242,466
2025	$ 245,980
2026	$ 253,008
Beyond next 5 fiscal years	$ 674,688
Total	$ 1,778,963

Not included in the lease liability, the Company incurred occupancy costs, net of recoveries, related to its office leases of $60,395 for the six months ended June 30, 2022 (six months ended June 30, 2021 - $56,690) which have been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income.

16. Share Capital

a. Authorized

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

b. Issued and outstanding common shares

	Number of Issued Common Shares	Number of Treasury Shares	Number of Outstanding Common Shares	Amount
Balance, December 31, 2020	**12,937,366**	**(132,200)**	**12,805,166**	**$ 6,392,428**
Options exercised (c)	1,542	-	1,542	20,516
Shares repurchased under NCIB and cancelled (d)	(180,650)	(300)	(180,950)	(88,901)
Shares purchased for RSU Plan Trust and held in Treasury (e)	-	(69,300)	(69,300)	(527,179)
Balance, December 31, 2021	**12,758,258**	**(201,800)**	**12,556,458**	**$ 5,796,864**
Cancellation of shares held in Treasury	(300)	300	-	
Options exercised (c)	5,903	-	5,903	79,521
Shares repurchased under NCIB and cancelled (d)	(178,200)	-	(178,200)	(83,888)
Shares repurchased under NCIB and held in Treasury pending cancellation (d)		(29,100)	(29,100)	(13,620)
Shares purchased for RSU Plan Trust and held in Treasury (e)	-	(24,600)	(24,600)	(197,938)
Balance, June 30, 2022	**12,585,661**	**(255,200)**	**12,330,461**	**$ 5,580,939**

c. Options exercised

During the six months ended June 30, 2022, 5,903 common shares were issued against options exercised (six months ended June 30, 2021 – 1,182 common shares) for total proceeds of $40,080 (six months ended June 30, 2021 - $8,090) and $39,441 in fair value was transferred from contributed surplus to share capital (six months ended June 30, 2021 - $7,996).

d. Normal Course Issuer Bid (NCIB)

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

On December 11, 2020, the Company announced that the TSX Venture Exchange had accepted its renewal of the NCIB, pursuant to which the Company would be permitted to purchase up to 950,000 of its own common shares for cancellation over a 12-month period commencing on December 17, 2020 and ending on December 16, 2021. Purchases of shares by the Company under the NCIB are made through the facilities of the TSX Venture Exchange or alternative Canadian trading systems at the market price of the shares at the time of acquisition.

During the year ended December 31, 2021, the Company repurchased 180,950 of its common shares for an aggregate price of $1,317,284 and incurred costs of $4,310 related to the repurchase of these shares. The Company's retained earnings were reduced by $1,232,693 upon the repurchase of these shares, representing the excess of the aggregate repurchase price over the reduction in share capital of $88,901.

On December 13, 2021, the Company announced that the TSX Venture Exchange had accepted its renewal of the NCIB, pursuant to which the Company would be permitted to purchase up to 740,000 of its own common shares for cancellation over a further 12-month period commencing on December 17, 2021 and ending on December 16, 2022. Purchases of shares by the Company under the NCIB are made through the facilities of the TSX Venture Exchange or alternative Canadian trading systems at the market price of the shares at the time of acquisition.

During the six months ended June 30, 2022, the Company repurchased 207,300 of its common shares for an aggregate price of $1,674,071 and incurred costs of $2,073 related to the repurchase of these shares. The Company's retained earnings were reduced by $1,578,636 upon the repurchase of these shares, representing the excess of the aggregate repurchase price over the reduction in share capital of $97,508. 29,100 shares of these repurchased shares were held in treasury pending cancellation at June 30, 2022.

e. During the year ended December 31, 2021, the Company purchased 69,300 of its common shares pursuant to its Restricted Share Unit ("RSU") Plan (see *Note 16(g)*) for an aggregate purchase price of $527,179.

During the six months ended June 30, 2022, the Company purchased 24,600 of its common shares pursuant to its RSU Plan (see *Note 16(g)*) for an aggregate purchase price of $197,938.

226,100 treasury shares are held in trust as of June 30, 2022 (December 31, 2021 – 201,500 treasury shares) for future settlement of vested RSUs granted to employees, senior management, and directors of the Company.

f. There are nil preferred shares outstanding as of June 30, 2022 (December 31, 2021 – nil).

g. Share-Based Payments

Restricted Share Unit ("RSU") Plan

The Board adopted a Restricted Share Unit Plan on March 4, 2020, which was approved by shareholders on May 27, 2020 and subsequently approved by the TSX Venture Exchange. The RSU Plan was established as a vehicle by which equity-based incentives may be granted to eligible employees, consultants, directors and officers of the Company to recognize and reward their contributions to the long-term success of the Company including aligning their interests more closely with the interests of the Company's shareholders. The RSU Plan is a fixed plan which reserves for issuance a maximum of 800,000 common shares of the Company.

On March 19, 2021, a total of 67,252 RSUs were granted to certain employees, senior management, and directors of the Company with a fair value of $7.30 per unit, being the grant date closing (TSX Venture Exchange) market price per share. Certain of these units shall vest fully in three years' time on March 19, 2024 and certain of these units shall vest quarterly on March 31, 2024, June 30, 2024, September 30, 2024, and December 31, 2024.

On March 31, 2022, a total of 56,957 RSUs were granted to certain employees, senior management, and directors of the Company with a fair value of $9.09 per unit, being the grant date closing (TSX Venture Exchange) market price per share. Certain of these units shall vest fully in three years' time on March 31, 2025 and certain of these units shall vest quarterly on March 31, 2025, June 30, 2025, September 30, 2025, and December 31, 2025.

During the six months ended June 30, 2022, the Company recorded net share-based payment expense of $181,084 (six months ended June 30, 2021 - $114,503) relating to RSUs granted to employees, directors, officers and advisors under the RSU Plan, which is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

As at June 30, 2022, there were 241,456 RSUs outstanding (December 31, 2021 – 192,597), as shown below:

	June 30, 2022		December 31, 2021	
	Number of RSUs	Weighted average grant price	Number of RSUs	Weighted average grant price
Outstanding, beginning of period	192,597	$4.87	129,125	$3.61
Granted	56,957	$9.09	67,252	$7.30
Forfeited	(8,098)	$4.96	(3,780)	$4.96
Outstanding, end of period	241,456	$5.86	192,597	$4.87

The weighted-average remaining contractual life of the 241,456 RSUs outstanding at June 30, 2022 is 1.72 years (December 31, 2021 – 1.89 years).

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. The Board approved an amended SOP on March 4, 2020 which was approved by shareholders on May 27, 2020 and re-approved on May 26, 2021 and May 17, 2022. 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.

No options were granted by the Company during the years ended December 31, 2021 and December 31, 2020.

No options were granted by the Company during the six months ended June 30, 2022.

During the six months ended June 30, 2022, the Company recorded net share-based payment expense of $15,963 (six months ended June 30, 2021 - $42,109) relating to previous option grants to employees, directors, officers and advisors under the SOP, which is included in selling, general and administration expenses in the Consolidated Statements of Comprehensive Income.

As at June 30, 2022, there were 164,475 options outstanding (December 31, 2021 – 170,504), as shown below:

	June 30, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	170,504	$8.32	173,839	$8.32
Granted	-	-	-	-
Expired or forfeited	(126)	$10.97	(1,793)	$10.02
Exercised	(5,903)	$6.79	(1,542)	$6.69
Outstanding, end of period	164,475	$8.37	170,504	$8.32

Of the total number of options outstanding as of June 30, 2022, 153,095 have vested and are exercisable by the option holders (December 31, 2021 – 144,805). These exercisable options have a weighted average exercise price of $8.35 (December 31, 2021 - $8.25).

The weighted-average remaining contractual life of the 164,475 (December 31, 2021 – 170,504) options outstanding is 4.83 years (December 31, 2021 – 5.30 years) and the range of exercise prices for these options is $6.20 - $10.97 (December 31, 2021 - $6.20 - $10.97).

5,903 options were exercised during the six months ended June 30, 2022 (six months ended June 30, 2021 – 1,182 options). The weighted average share price on the date of exercise of options exercised during the six months ended June 30, 2022 was $9.08 (six months ended June 30, 2021 – $7.89).

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 six months ended June 30, 2022, the Company recorded share-based payment expense of $48,164 (six months ended June 30, 2021 - $24,703) relating to the Company's contributions to the ESPP for the purchase of common shares on behalf of participating employees. Such share-based payment expense related to the Company's ESPP contributions has been included in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income. Company and employee contributions to the ESPP were temporarily suspended between April 1, 2020 and March 31, 2021.

17. Expenses by Nature

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cost of goods sold	$ 1,170,804	$ 1,586,168	$ 2,617,460	$ 3,150,062
Selling and marketing	$ 2,402,603	$ 2,868,741	$ 4,617,486	$ 5,148,036
Advertising, Promotion and Selling Costs	1,091,437	1,911,896	2,302,247	3,293,592
Employee Costs	1,085,789	762,599	1,871,194	1,471,503
Logistics, Quality Control & Regulatory	207,268	172,916	408,385	361,158
Share-based Payments *(Note 16)*	18,109	21,330	35,660	21,783
General and administration	$ 1,458,885	$ 1,450,133	$ 2,687,508	$ 2,748,748
Employee Costs	717,673	723,544	1,450,597	1,447,583
Corporate Expenses	297,306	260,188	376,613	415,155
Share-based Payments *(Note 16)*	116,931	92,711	209,551	159,532
Professional Fees	102,614	98,700	165,791	154,731
Information Technology	82,521	46,846	161,537	94,524
Depreciation - Property and Equipment *(Note 11)*	75,361	78,077	150,722	153,428
Insurance	42,257	36,381	82,273	65,138
Research and Development	39,575	9,925	56,625	29,775
Amortization - Intangible Assets *(Note 12)*	22,862	44,599	47,388	89,484
Net Foreign Exchange Losses (Gains)	(38,215)	59,162	(13,589)	139,398
New business development costs	$ 12,223	$ 15,105	$ 31,997	$ 54,341
Finance costs	$ 19,502	$ 21,504	$ 39,295	$ 43,255
Interest expense - lease liability *(Note 15)*	19,502	21,504	39,295	43,255
Finance income	$ (78,273)	$ (30,968)	$ (120,766)	$ (67,584)
Interest Income	(78,273)	(30,968)	(120,766)	(67,584)

18. Earnings per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Numerator				
Net income attributable to common shareholders	$ 1,217,883	$ 1,018,074	$ 2,805,787	$ 2,682,442
Denominator				
Basic				
Weighted average number of shares outstanding	12,394,588	12,703,681	12,429,844	12,745,167
Average Exercise price beginning of period				
Effect of dilutive securities	256,657	201,340	230,902	171,531
Weighted average number of shares outstanding	12,651,245	12,905,021	12,660,746	12,916,698
Basic earnings per share	$ 0.098	$ 0.080	$ 0.226	$ 0.210
Diluted earnings per share	$ 0.096	$ 0.079	$ 0.222	$ 0.208

19. Contingencies

Litigations

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at June 30, 2022, the Company was not aware of any litigation or threatened claims either outstanding or pending.

Women's Health Product License and Supply Agreement

Under the terms of the November 7, 2016 License and Supply Agreement between the Company and its European partner in respect of the Tibella® women's health pharmaceutical product *(see Note 12),* 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. For the six months ended June 30, 2022, such fees for the period have been expensed and included in the Company's Consolidated Statements of Comprehensive Income.

Pain Management Products License and Exclusive Supply Agreement

Under the terms of the November 25, 2019 License and Exclusive Supply Agreement, the Company is required to make royalty payments to AFT Pharmaceuticals based on net sales of the pain management products in Canada and contingent on the market share of competing products in Canada over the 15-year term of the agreement. The royalty rates range from 0% to 6.5% on net sales of one product formulation and from 0% to 12.5% on net sales of another product formulation. For the six months ended June 30, 2022, such fees for the period have been expensed and included in the Company's Consolidated Statements of Comprehensive Income.

20. Commitments

Office Lease

The Company's current office lease agreement commenced on September 1, 2019 and extends to August 31, 2029 *(see Note 15)*.

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

Fiscal Year	Annual Rent and Occupancy Costs
2022	$ 249,600
2023	$ 371,711
2024	$ 371,711
2025	$ 375,225
2026	$ 382,253
Beyond Next 5 Fiscal Years	$ 1,019,342
Total	$ 2,769,842

Purchase Commitments

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

21. Related Party Transactions

Key Management Personnel Compensation

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

The table below summarizes compensation for key management personnel of the Company for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Number of Key Management Personnel	6	6	6	6
Salary, Benefits, and Bonus	$327,457	$315,443	$646,437	$627,811
Share-Based Payments	$101,852	$78,590	$157,075	$119,352

During the six months ended June 30, 2022, the Company recorded share-based payment expense of $157,075 (six months ended June 30, 2021 – $119,352) related to the amortization of RSUs granted to key management under the Company's RSU Plan, the vesting of options granted prior to 2020 under the Company's SOP, as well as the Company's contributions to the ESPP for the purchase of common shares on behalf of participating key management personnel.

As at June 30, 2022, there were loans receivable under the MSLP from key management personnel of $389,545 (December 31, 2021 – $551,798). MSLP loan repayments of $164,608 were received from key management personnel during the six months ended June 30, 2022 (six months ended June 30, 2021 – $nil). Interest accrued on these MSLP loans during the six months ended June 30, 2022 totalled $1,710 (six months ended June 30, 2021 – $2,709).

Transactions with Directors

During the six months ended June 30, 2022, the Company paid cash fees to its directors in the amount of $59,626 (six months ended June 30, 2021 – $54,656) and recorded share-based payments expense for accounting purposes of $25,369 (six months ended June 30, 2021 – $16,156) related to the amortization of RSUs under the Company's RSU Plan and the vesting of options granted to directors prior to 2020 under the SOP.

22. Capital Disclosures

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

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

June 30, 2022	$32,727,240
December 31, 2021	$31,554,926

The Company's principal objectives in managing capital are:

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

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

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

The Company does not have any externally imposed capital compliance requirements at June 30, 2022. There were no changes in the Company's approach to capital management during the period.

23. 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 June 30, 2022, 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.

24. Taxes

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

Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income.

The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax rates of 26.5% (2021 – 26.5%) in the Canadian jurisdiction, 24.0% (2021 – 24.0%) in the U.S. jurisdiction, and 3.0% - 5.5% (2021 – 3.0% – 5.5%) in the Barbados jurisdiction.

25. Segment Reporting

A segment is a component of the Company:

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

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

iii. for which discrete financial information available.

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

The revenue breakdown by business is provided below:

a. for both the pharmaceutical and insecticide business; and

b. for both Canadian and international jurisdictions

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Canada				
Pharmaceutical Business	$6,272,185	$6,670,322	$12,591,069	$12,904,085
Insecticide Business	251,672	396,912	380,862	429,578
Total Canada	$6,523,857	$7,067,234	$12,971,931	$13,333,663
International Jurisdictions				
Pharmaceutical Business - Middle East	-	$165,038	$565,787	$1,305,317
Insecticide Business - United States	111,018	56,982	134,568	70,163
Total International Jurisdictions	$111,018	$222,020	$700,355	$1,375,480
Total Revenue	$6,634,875	$7,289,254	$13,672,286	$14,709,143

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

	June 30, 2022	December 31, 2021
Canada	$3,176,706	$3,011,776
Barbados	74,733	76,236
Total Non-current Assets	$3,251,439	$3,088,012

Corporate Information

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Peter D. Lockhard (Lead Director)
Ontario, Canada

Stephen Wilton
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Stock Listing

TSX Venture Exchange
Trading symbol: RX