

BioSyent Inc.

Audited Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian Dollars

Corporate Office
Suite 402
2476 Argentia Road
Mississauga, Ontario, L5N 6M1
Canada
Telephone 905.206.0013
Facsimile 905.206.1413
Email: info@biosyent.com
Web: www.biosyent.com



Management's Responsibility For Financial Reporting

To the Shareholders of BioSyent Inc.:


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements for BioSyent Inc. (the “**Company**”), including significant accounting judgments and estimates in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required. The consolidated financial statements for the years ended December 31, 2022 and 2021 are compliant with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

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

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

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

Robert March



Vice-President and Chief Financial Officer, BioSyent Inc.

March 21, 2023

Independent Auditor's Report

To the Shareholders of BioSyent Inc.:

Opinion

We have audited the consolidated financial statements of BioSyent Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sales Promotional Incentives

Key Audit Matter Description

As described in the Summary of Significant Accounting Policies in Notes 3 and 4 to the consolidated financial statements, consideration from customers can vary due to product returns, discounts, volume rebates, refunds, credits, price concessions, incentives or similar items. The Company offers discount programs and sales promotional incentives, including retail coupons, co-pay discount cards and rebates for the purchase of certain products. These arrangements results in variable consideration and the Company must estimate expected levels of incentives that are typically settled in a period after the sale is recorded. Revenue is recorded net of these amounts.

Audit Response

Our approach to addressing the matter included, but was not restricted to, the following procedures:

- We obtained an understanding of the revenue estimation process, specifically related to sales promotional incentives.
- We obtained management's calculations for the variable consideration affecting revenue, contract liabilities, accounts payable and accrued liabilities and we recalculated select amounts of variable consideration. We also evaluated the assumptions used by reference to internal and external sources including historical information.

The measurement of variable consideration associated with sales promotional incentives involves the use of judgement related to estimating future obligations based on historical performance and adjustments for current trends, among other inputs. The timing difference between the sale of goods by the Company and the settlement of variable consideration further increases the risk associated with the measurement of revenues. Changes in these estimates can have a significant impact on the amount of revenue recognized.

We considered this a key audit matter due to the high degree of judgment required by management in determining the estimated sales promotional incentives. This in turn led to a high degree of subjectivity and complexity in performing procedures and evaluating evidence relating to this estimate.

- We developed independent point estimates of the coupon and co-pay accruals which were applied to revenues for the year and compared the independent point estimates to management's estimates to evaluate the reasonableness of management's estimate. As part of the development of the independent point estimates we analyzed trends in use of the retail coupons and co-pay discount cards compared to total amounts in circulation, to evaluate the accuracy and completeness of amounts accrued by management at year end.
- We performed retrospective reviews on management's ability to estimate variable consideration, which compared actual settlements to amounts accrued at year end by tracing them to third party invoices and payments made

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

MNP LLP

Toronto, Ontario
March 21, 2023

Chartered Professional Accountants
Licensed Public Accountants

BioSyent Inc.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

AS AT	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents (Note 6)	\$ 7,864,559	\$ 18,035,275
Short term investments (Note 7)	20,831,085	10,176,395
Trade and other receivables (Note 8)	3,498,355	2,787,305
Inventory (Note 9)	4,535,343	2,204,331
Prepaid expenses and deposits	254,958	456,034
Loans receivable - current (Note 13)	158,529	420,104
CURRENT ASSETS	37,142,829	34,079,444
Property and equipment (Note 11)	1,673,036	1,931,569
Intangible assets (Note 12)	1,200,878	874,026
Loans receivable - non current (Note 13)	258,240	183,201
Deferred tax asset (Note 24)	210,281	99,216
TOTAL NON CURRENT ASSETS	3,342,435	3,088,012
TOTAL ASSETS	\$ 40,485,264	\$ 37,167,456
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 5,062,882	\$ 3,563,134
Contract liability (Note 14)	157,600	226,023
Customer advances	6,772	87,609
Lease liability - current (Note 15)	174,055	161,809
Income tax payable (Note 24)	318,005	98,691
CURRENT LIABILITIES	5,719,314	4,137,266
Deferred tax liability (Note 24)	182,382	80,161
Lease liability - non current (Note 15)	1,221,045	1,395,103
TOTAL NON CURRENT LIABILITIES	1,403,427	1,475,264
Share capital (Note 16)	5,367,432	5,796,864
Contributed surplus	2,228,517	1,818,635
Cumulative translation adjustment	(143,144)	(185,260)
Retained earnings	25,909,718	24,124,687
TOTAL EQUITY	33,362,523	31,554,926
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 40,485,264	\$ 37,167,456

Contingencies (Note 19)

Commitments (Note 20)

Related party transactions (Note 21)

Subsequent event (Note 26)

APPROVED ON BEHALF OF THE BOARD

René Goehrum

Peter Lockhard




DIRECTOR

DIRECTOR

March 21, 2023

March 21, 2023

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

BioSyent Inc.
Consolidated Statements of Comprehensive Income

(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2022	2021
Net revenues from contracts with customers (Note 25)	\$ 27,925,187	\$ 28,618,218
Cost of goods sold (Notes 9, 17)	5,067,304	5,980,356
Gross profit	22,857,883	22,637,862
Selling, general and administration expenses (Note 17)	15,778,411	14,338,794
New business development costs (Note 17)	97,474	115,867
Operating profit	6,981,998	8,183,201
Finance costs (Notes 15, 17)	77,142	85,246
Finance income (Note 17)	(525,795)	(155,466)
Return of rights service fees (Note 12)	-	(125,000)
NET INCOME BEFORE TAXES	7,430,651	8,378,421
Current income tax (Note 24)	1,981,150	2,165,101
Deferred tax recovery (Note 24)	(8,844)	(68,246)
NET INCOME AFTER TAXES	5,458,345	6,281,566
OTHER COMPREHENSIVE INCOME		
Currency translation gains (losses)	42,116	(18,555)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 5,500,461	\$ 6,263,011
Basic weighted average number of shares outstanding (Note 18)	12,303,121	12,689,163
Basic earnings per share (Note 18)	\$ 0.444	\$ 0.495
Diluted weighted average number of shares outstanding (Note 18)	12,540,638	12,871,281
Diluted earnings per share (Note 18)	\$ 0.435	\$ 0.488

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

BioSyent Inc.
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2022	2021
OPERATING ACTIVITIES		
Net income after taxes	\$ 5,458,345	\$ 6,281,566
Items not affecting cash:		
Depreciation - property and equipment (Notes 11, 17)	305,350	314,839
Amortization - intangible assets (Notes 12, 17)	145,648	142,267
Share-based payments (Note 16)	439,671	334,410
Change in derivative liability (Note 10)	-	(78,608)
Net finance income (Note 17)	(448,653)	(70,220)
Loan interest receivable (Note 13)	(6,223)	(5,973)
Deferred tax recovery (Note 24)	(8,844)	(68,246)
Expected credit losses	49,969	-
Inventory write-downs (Note 9)	106,000	-
Net change in non-cash working capital items:		
Trade and other receivables	(426,373)	(963,282)
Inventory	(2,437,012)	(130,770)
Prepaid expenses and deposits	201,076	(148,435)
Accounts payable and accrued liabilities	1,499,748	(160,352)
Contract liability	(68,423)	(20,101)
Customer advances	(80,837)	(600,703)
Income tax recoverable / payable (Note 24)	219,314	(151,504)
Cash provided by operating activities	4,948,756	4,674,888
INVESTING ACTIVITIES		
Additions to property and equipment (Note 11)	(46,817)	(84,710)
Net additions to intangible assets (Note 12)	(472,500)	(8,471)
Increase in short term investments (Note 7)	(10,654,690)	(4,890,110)
Interest received	191,149	146,458
MSLP loan repayments received (Note 13)	192,759	-
Cash used in investing activities	(10,790,099)	(4,836,833)
FINANCING ACTIVITIES		
Payments - lease liability principal (Note 15)	(161,812)	(151,949)
Payments - lease liability interest (Note 15)	(77,142)	(85,246)
Repurchase of common shares - NCIB (Note 16)	(3,368,691)	(1,321,594)
Purchase of RSU Plan shares - held in trust (Note 16)	(319,966)	(527,179)
Proceeds from stock options exercised (Note 16)	40,080	10,322
Net dividends paid (Note 16)	(483,958)	-
Cash used in financing activities	(4,371,489)	(2,075,646)
Effect of foreign currency translation adjustment	42,116	(18,555)
DECREASE IN CASH AND CASH EQUIVALENTS	(10,170,716)	(2,256,146)
Cash and cash equivalents, beginning of year	18,035,275	20,291,421
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,864,559	\$ 18,035,275
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of year	\$ 28,211,670	\$ 25,577,706
Increase in short term investments	10,654,690	4,890,110
Decrease in cash and cash equivalents	(10,170,716)	(2,256,146)
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 28,695,644	\$ 28,211,670
CASH PAID FOR TAXES	\$ (1,761,836)	\$ (2,316,605)

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

BioSyent Inc.**Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance as of January 1, 2022	\$ 5,796,864	1,818,635	\$ (185,260)	\$ 24,124,687	31,554,926
Comprehensive Income for the year	-	-	42,116	5,458,345	5,500,461
Common shares repurchased under Normal Course Issuer Bid (<i>Note 16</i>)	(188,987)	-	-	(3,179,704)	(3,368,691)
Common shares purchased and held in RSU Plan Trust (<i>Note 16</i>)	(319,966)	-	-	-	(319,966)
Effect of Share-based payments: Options vested (<i>Note 16</i>)	-	25,368	-	-	25,368
Effect of Share-based payments: Options exercised (<i>Note 16</i>)	79,521	(39,441)	-	-	40,080
Effect of Share-based payments: RSU expense (<i>Note 16</i>)	-	414,303	-	-	414,303
Dividends paid (<i>Note 16</i>)	-	9,652	-	(493,610)	(483,958)
Balance as of December 31, 2022	\$ 5,367,432	\$ 2,228,517	\$ (143,144)	\$ 25,909,718	\$ 33,362,523

	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 year	-	-	(18,555)	6,281,566	6,263,011
Common shares repurchased under Normal Course Issuer Bid (<i>Note 16</i>)	(88,901)	-	-	(1,232,693)	(1,321,594)
Common shares purchased and held in RSU Plan Trust (<i>Note 16</i>)	(527,179)	-	-	-	(527,179)
Effect of Share-based payments: Options vested (<i>Note 16</i>)	-	72,685	-	-	72,685
Effect of Share-based payments: Options exercised (<i>Note 16</i>)	20,516	(10,194)	-	-	10,322
Effect of Share-based payments: RSU Expense (<i>Note 16</i>)	-	261,725	-	-	261,725
Balance as of December 31, 2021	\$ 5,796,864	\$ 1,818,635	\$ (185,260)	\$ 24,124,687	\$ 31,554,926

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

1. General Information

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

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

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

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

These Financial Statements were approved by the Board of Directors on March 21, 2023.

2. Basis of Presentation

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

Statement of Compliance

These consolidated financial statements for the years ended December 31, 2022 and 2021 have been prepared and are in compliance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

Basis of Consolidation

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

Functional and Presentation Currency

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

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

3. Summary of Significant Accounting Policies

Financial Instruments

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

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

costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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

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

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

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

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

Financial Assets Measured at Amortized Cost

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

Loans receivable consist of full recourse loans issued to employees, as described in Note 13. As the loans are full recourse, they are not recorded as share-based payments, but instead as loans, which fall within the scope of IFRS 9 *Financial Instruments*.

Impairment of Financial Assets

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

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

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

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

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

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

At December 31, 2022 and 2021, loans receivable are a Stage 1 financial asset.

Financial Liabilities Measured at Amortized Cost

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

Fair Value Measurement

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

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

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

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

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

Revenue Recognition

In accordance with IFRS 15 *Revenue*, The Company applies the following 5-step revenue recognition model based on the principle that an entity should recognize revenue as performance obligations are satisfied based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled:

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

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

The Company may also offer other discount programs, including retail coupons and copay discount cards for the purchase of certain of its products by end-consumers. The Company estimates the amount of such discounts based on historical experience and the specific terms of each program. Revenue is recorded net of these amounts. The estimated amounts of such discounts are recorded as these retail coupons and copay discount cards are distributed.

The total of all variable consideration amounted to \$731,587 in the year (\$883,054 in 2021).

The Company recognizes a contract liability based on its estimate of the amount of consideration it expects to refund to its customers. This contract liability is updated at the end of each reporting period for any changes in circumstances.

Property and Equipment

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

be capable of operating in the manner intended by management. The Company records depreciation of property and equipment at the following rates and methods based on the assets' estimated useful economic lives:

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

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

Cash and Cash Equivalents and Short-term Investments

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

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

Inventory

Inventory is measured on a first-in, first-out basis at the lower of cost and net realizable value. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. A provision for obsolescence is determined based on historical experience and product expiration dates.

Intangible Assets

Intangible assets with definite useful lives consist of:

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

- future milestone payments associated with the acquisition of intangible assets are capitalized to the cost of the intangible asset when it is determined that the milestones have a high likelihood of being attained.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization commences when the intangible asset is available for use. The amortization period and the amortization method for an intangible asset with a definite useful life are reviewed at least annually at the end of each financial reporting year. Intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives (see *Note 12*). New product dossier and filing costs are amortized over the estimated economic lives of the underlying products commencing upon their availability for use. Product licenses and rights are amortized over the expected useful life. New product development costs are amortized over the estimated economic useful life of the product commencing upon its availability for use. Trademarks and patents are amortized over the period covered by the registration period, ranging between 10 and 15 years, unless the economic life is shorter.

Development Costs

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

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

Impairment of Non-Financial Assets

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

Impairment exists when the carrying value of an asset or cash generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available market data less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local

management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate non-financial assets could result in a material change to the results of operations.

Foreign Currency Translation

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

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

Taxation

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

Current Tax:

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

Deferred Tax:

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

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

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-Based Payments

The Company has equity-settled share-based payment plans, including a Restricted Share Unit (“RSU”) Plan, an Incentive Stock Option Plan, and an Employee Share Purchase Plan (“ESPP”) which are described in *Note 16*. The Company accounts for share-based payments under these plans in accordance with IFRS 2, *Share-based payment*.

RSU Plan

For RSUs granted to employees and directors, the Company recognizes an expense over the vesting period of the RSUs equal to the fair value at the grant date based on the closing market price of the Company’s common shares on the TSX Venture Exchange and an estimate of the number of RSUs expected to vest.

The Company classifies outstanding RSUs as equity instruments in accordance with IAS 32, *Financial instruments: presentation*. Over the vesting period of RSUs, as the Company recognizes an expense, it also recognizes a corresponding increase in contributed surplus for the fair value of such RSUs.

RSUs are settled with the issuance to RSU holders of common shares of the Company, either newly issued or purchased by the Company in the open market. Common shares purchased in the open market by the Company for future RSU settlements are held in an RSU Trust until the time of settlement when they are released to RSU holders. These common shares held in the RSU Trust are classified as equity and accounted for as Treasury Shares in accordance with IAS 32 and are measured at the price paid in the open market. Upon settlement of the RSUs and the release of the common shares to RSU holders, these common shares are reclassified to share capital.

Incentive Stock Option Plan

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

Any consideration paid by employees upon the exercise of any stock options increases share capital. The Company does not repurchase stock options from option holders.

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

ESPP

Any Company matching of employee contributions to the ESPP is accounted for as an expense at the time of the cash contribution.

Repurchase of Shares under Normal Course Issuer Bid (“NCIB”)

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

Earnings per Share

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

Leases

The Company accounts for its leases in accordance with IFRS 16, *Leases*. All contracts that meet the definition of a lease are recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is accounted for as property, plant and equipment and is depreciated on a straight-line basis over the term of the lease contract. The liability is unwound using the interest rate inherent in the lease. The Company has recognized a right-of-use asset and a lease liability in respect of its lease for head office space (see *Notes 11 and 15*). The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and for leases of low-value assets.

Accounting Pronouncements Issued but not yet Effective

Amendments to IAS 1, Presentation of Financial Statements

In October 2022, the IASB issued amendments to *IAS 1, Presentation of Financial Statements*, to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of “settlement” of a liability. The amendments are effective January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management does not expect any material impact to the Company’s consolidated financial statements upon adoption of these amendments.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*, to introduce a definition of “Accounting Estimates”. The amendments clarify the distinction between changes in accounting estimates and accounting policies as well as the

correction of errors. Additionally, the IASB clarifies how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective January 1, 2023, with early adoption permitted. Management does not expect any material impact to the Company’s consolidated financial statements upon adoption of these amendments.

4. Use of Estimates and Accounting Judgments by Management

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

Judgments

a. Recoverability of asset carrying values

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

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

b. Impairment of trade and other receivables

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

c. Income taxes

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

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

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

Estimates

The most significant estimates made by management include the following:

a. Depreciation

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

b. Amortization of intangible assets

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

c. Share-based payments

Grants of RSUs and stock options are measured at their fair value on the grant date.

Management estimates the fair value of RSUs by reference to the closing price of the Company’s common shares on the TSX Venture Exchange at the grant date. Management uses the Black-Scholes option pricing model to estimate the fair value of stock options determined at the grant date for options granted to employees and directors. Significant assumptions affecting the valuation of options include the term allowed for option exercise, a volatility factor relating to the Company’s historical share price, dividend yield, forfeiture rate and risk-free interest rate.

The estimated forfeiture rate also affects the valuation of RSUs.

d. Inventory

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

this estimate, management considers the product life of inventory. Product expiry dates are important in the determination of the net realizable value of inventory. Management ensures that systems are in place to identify and properly value inventory that may be approaching its expiry date.

e. Determination of transaction price

As a result of the existence of elements of variable consideration in the Company's contracts with customers arising from returns, discounts, rebates, retail coupons, copay discount cards, 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 uses historical customer return data to determine the expected return percentages. These percentages are applied to determine the amount of the variable consideration. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages estimated by the Company.

The Company provides for estimated payments to customers based on various trade programs and sales promotional incentives. These arrangements with purchasing organizations and other payers are dependent upon the submission of claims after the initial recognition of the revenue.

The Company estimates the amount payable to each customer for each trade and incentive program separately using: i) historical redemption patterns; ii) sales lead times; and iii) customer rates for discounts and rebates. Estimates incorporate the usage of internal data and other wholesaler and third-party analyses.

The Company updates its expected return and sales promotional incentives on a quarterly basis and the contract liability and trade and promotional accruals are adjusted accordingly. To the extent

that payments differ from the estimates of the related liabilities, accounts payable and accrued liabilities, contract liability, net income and comprehensive income will be affected in future periods.

f. Determination of incremental borrowing rate

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

g. Determination of lease term

When the Company enters into leases as lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option and periods covered by an option to terminate the lease if it reasonably expects not to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option (see Note 15).

5. COVID-19

On March 11, 2020, the World Health Organization characterized COVID-19 (Coronavirus) as a pandemic.

While the Company believes the current conditions related to the COVID-19 pandemic to be improving, the situation is dynamic and the impact of COVID-19 on its future results of operations

and financial condition cannot be reasonably estimated at this time. The Company continues to evaluate the situation and monitor any impacts or potential impacts to its business.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	December 31, 2022	December 31, 2021
Cash on deposit in banks	\$5,298,316	\$14,470,449
Redeemable GICs	2,566,243	3,564,826
Total cash and cash equivalents	\$7,864,559	\$18,035,275

7. Short term Investments

Short term investments consist of the following:

	December 31, 2022	December 31, 2021
Non-redeemable GICs	\$20,831,085	\$8,544,166
Dual Currency Deposits (Note 10)	-	1,632,229
Total short term investments	\$20,831,085	\$10,176,395

8. Trade and Other Receivables

Trade and other receivables is comprised of the following:

	December 31, 2022	December 31, 2021
Trade accounts receivable (Note 10)	\$2,790,905	\$2,494,377
Other receivables	707,450	292,928
Total trade and other receivables	\$3,498,355	\$2,787,305

9. Inventory

Inventory is comprised of the following:

	December 31, 2022	December 31, 2021
Raw and Packaging Materials	\$981,397	\$414,641
Finished Goods	3,553,946	1,789,690
Total inventory	\$4,535,343	\$2,204,331

For the year ended December 31, 2022, the Company recorded inventory write-downs of \$106,000 (2021 - \$nil) which have been included in selling, general and administration expenses in the Company's Consolidated Statements of Comprehensive Income.

Cost of Goods Sold consists of the following:

	Years ended December 31,	
	2022	2021
Raw and Packaging Materials and Finished Goods	\$4,778,756	\$5,850,300
Freight	288,548	130,056
Total cost of goods sold	\$5,067,304	\$5,980,356

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, derivative liabilities, trade and other receivables, loans receivable, and accounts payable and accrued liabilities approximate their fair values. The difference between the carrying value and the fair value of the loans receivable due to interest being charged at the prescribed rate (see Note 13) is insignificant for the year.

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:

December 31, 2022	Level 1	Level 2	Level 3
DCDs	-	-	-

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

At December 31, 2022, the Company had nil DCDs.

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 year 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

	December 31, 2022	December 31, 2021
Description of Asset/(Liability)	USD	USD
Cash and cash equivalents	999,328	1,566,818
Short term investments	-	500,000
Trade receivables	-	66,563
Less: Accounts payable	(1,249,520)	(396,983)
Less: Customer advances	(5,000)	(69,103)
Net Total	(255,192)	1,667,295
Foreign Exchange Rate CAD per USD at the end of the year	1.3544	1.2678

At December 31, 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 \$25,404 lower or higher on an after-tax basis, respectively (December 31, 2021 - \$155,364 higher or lower, respectively).

Foreign Exchange Sensitivity Analysis - EUR

	December 31, 2022	December 31, 2021
Description of Asset/(Liability)	EUR	EUR
Cash and cash equivalents	697,882	899,198
Less: Accounts payable	(70,000)	(433,957)
Net Total	627,882	465,241
Foreign Exchange Rate CAD per EUR at the end of the year	1.4458	1.4391

At December 31, 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 \$66,723 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 year.

➤ 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 year to indicate a significant increase in credit risk has occurred and there are no defaults on the loans receivable.

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

Aged Trade Accounts Receivable	December 31, 2022	December 31, 2021
Current	\$ 2,464,733	\$ 1,134,925
Past due 1-30 days	330,297	1,137,301
Past due 31-60 days	35,309	62,136
Over 60 days	63,546	213,026
Expected Credit Losses	(102,980)	(53,011)
Closing Balance (Note 8)	\$ 2,790,905	\$ 2,494,377
Maximum Credit Risk	2,893,885	2,547,388

As of December 31, 2022, one customer represents 56% of trade receivables (December 31, 2021 - 36%) while another customer represents 17% of trade receivables (December 31, 2021 - 21%), a third customer represents 8% of trade receivables (December 31, 2021 - 11%), and a fourth customer represents 7% of trade receivables (December 31, 2021 - 13%).

The Company has provided for expected credit losses of \$102,980 (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 where the carrying value does not approximate 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 year ended December 31, 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	-	19,927	26,890	-	-	-	46,817
December 31, 2022	\$ 254,939	\$ 240,005	\$ 359,709	\$ 398,459	\$ 1,330,455	\$ 680,511	\$ 3,264,078
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	(21,444)	(23,600)	(33,925)	(25,285)	(133,045)	(68,051)	(305,350)
December 31, 2022	\$ (169,165)	\$ (145,308)	\$ (267,108)	\$ (339,464)	\$ (443,486)	\$ (226,511)	\$ (1,591,042)
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
December 31, 2022	\$ 85,774	\$ 94,697	\$ 92,601	\$ 58,995	\$ 886,969	\$ 454,000	\$ 1,673,036

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 Net Additions	354	-	-	8,117	-	8,471
December 31, 2021	\$ 1,532,412	\$ 953,020	\$ 132,499	\$ 111,183	\$ 3,936	\$ 2,733,050
2022 Net Additions	347,142	64,192	57,638	3,528	-	472,500
December 31, 2022	\$ 1,879,554	\$ 1,017,212	\$ 190,137	\$ 114,711	\$ 3,936	\$ 3,205,550
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	(119,249)	(3,523)	(11,136)	(10,959)	(781)	(145,648)
December 31, 2022	\$ (343,760)	\$ (424,630)	\$ (19,547)	\$ (38,906)	\$ (3,122)	\$ (829,965)
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	-	-	-	-	-	-
December 31, 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
December 31, 2022	\$ 822,453	\$ 131,216	\$ 170,590	\$ 75,805	\$ 814	\$ 1,200,878

New Product Dossier and Filing Costs

Cumulatively, the Company has incurred product dossier and filing costs of \$1,879,554 (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.

In August 2012, BioSyent Pharma signed an exclusive Licensing and Distribution Agreement for the Aguetant System[®] of pre-filled syringes (“PFS”) in Canada. The Aguetant Agreement ended on December 31, 2021 and BioSyent entered into a Transition Agreement with Laboratoire Aguetant that transferred all responsibilities for Aguetant System[®] products

in Canada to Laboratoire Aguetant. BioSyent discontinued all commercialization efforts for Aguetant System[®] products in Canada effective January 1, 2022. The New Product Dossier and Filing Costs associated with these PFS products, launched in February 2015 and November 2016, respectively, were fully amortized as of December 31, 2021.

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. To date, the Company has incurred \$686,143 in regulatory and 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.

On November 25, 2019, the Company entered into a License and Exclusive Supply Agreement with AFT Pharmaceuticals Ltd (“AFT”) to acquire a license to market, sell and distribute a portfolio of pain management products in Canada. The Company launched the Combogesic[®] product in Canada in December 2020. To date, the Company has incurred \$337,038 in regulatory and development costs related to these products which are included in intangible assets as New Product Dossier and Filing Costs. These costs are amortized on a straight-line basis over the estimated remaining 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 under this Agreement based on the net sales of the products in Canada (see *Note 19*).

For the year ended December 31, 2022, \$119,249 of amortization expense on New Product Dossier and Filing Costs (2021 - \$83,013) 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 \$1,017,212 (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.

On December 14, 2022, the Company entered into a Distribution Agreement with a European partner to acquire an exclusive license to use certain trademarks and to distribute an oncology supportive care product in Canada. The Company paid an initial license fee of EUR 70,000 (CAD \$94,192) upon signing the Distribution Agreement and is committed to paying an additional license fee of EUR 55,000 (CAD \$79,519) upon the first anniversary of the launch of the product in Canada (see *Note 19*). The product has not yet been launched by the Company and amortization of the asset has not yet commenced.

For the year ended December 31, 2022, \$3,523 of amortization expense on product licenses and rights (2021 - \$41,800) 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*).

During the year ended December 31, 2021, BioSyent received service fees totalling \$125,000 as part of a Termination and Transition Agreement entered into with Photocure ASA which ended a Distribution and Supply Agreement for the Cysview[®] product effective December 31, 2021. No such fees were received during the year ended December 31, 2022.

New Product Development

The Company has incurred cumulative new product development costs consisting of labour, laboratory and professional fees to date totalling \$190,137 (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 year ended December 31, 2022, \$11,136 of amortization expense (2021 - \$6,907) 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 \$114,711 (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 year ended December 31, 2022, \$10,959 of amortization expense (2021 - \$9,795) 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 year ended December 31, 2022, \$781 of amortization expense (2021 - \$752) 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	6,223
Balance, December 31, 2022	416,769
Current portion, December 31, 2022	158,529
Long-term portion, December 31, 2022	258,240
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% - 3.00% 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 May 26, 2022. 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% of such remaining MSLP loan principal amounts plus accrued interest thereon due and payable by the Borrowers on each of May 26, 2023, May 26, 2024, May 26, 2025, and May 26, 2026 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 \$6,223 was accrued on the loans for the year ended December 31, 2022 (2021 - \$5,973) 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 years ended December 31, 2021 and 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	55,023
Settlement of variable consideration	(123,446)
Balance, December 31, 2022	157,600

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	77,142
Payments	(238,954)
Balance, December 31, 2022	1,395,100
Current portion, December 31, 2022	174,055
Long-term portion, December 31, 2022	1,221,045
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
2023	\$ 242,466
2024	\$ 242,466
2025	\$ 245,980
2026	\$ 253,008
2027	\$ 253,008
Beyond next 5 fiscal years	\$ 421,680
Total	\$ 1,658,608

Not included in the lease liability, the Company incurred occupancy costs, net of recoveries, related to its office leases of \$128,657 for the year ended December 31, 2022 (2021 - \$120,108) 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)	(424,700)	-	(424,700)	(188,987)
Shares purchased for RSU Plan Trust and held in Treasury (e)	-	(39,800)	(39,800)	(319,966)
Balance, December 31, 2022	12,339,161	(241,300)	12,097,861	\$ 5,367,432

c. Options exercised

During the year ended December 31, 2022, 5,903 common shares were issued against options exercised (2021 – 1,542 common shares) for total proceeds of \$40,080 (2021 – \$10,322) and \$39,441 in fair value was transferred from contributed surplus to share capital (2021 – \$10,194).

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 year ended December 31, 2022, the Company repurchased 424,700 of its common shares for an aggregate price of \$3,361,944 and incurred costs of \$6,747 related to the repurchase of these shares. The Company's retained earnings were reduced by \$3,179,704 upon the repurchase of these shares, representing the excess of the aggregate repurchase price over the reduction in share capital of \$188,987.

On December 13, 2022, 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 690,000 of its own common shares for cancellation over a further 12-month period commencing on December 19, 2022 and ending on December 18, 2023. 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.

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 year ended December 31, 2022, the Company purchased 39,800 of its common shares pursuant to its RSU Plan (see Note 16(g)) for an aggregate purchase price of \$319,966.

241,300 treasury shares are held in trust as of December 31, 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 December 31, 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.

On August 23, 2022, a total of 1,813 RSUs were granted to certain employees of the Company with a fair value of \$8.09 per unit, being the grant date closing (TSX Venture Exchange) market price per share. These units shall vest fully on June 30, 2025.

During the year ended December 31, 2022, the Company recorded net share-based payment expense of \$414,303 (2021 – \$261,725) 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 December 31, 2022, there were 244,123 RSUs outstanding (December 31, 2021 – 192,597), as shown below:

	December 31, 2022		December 31, 2021	
	Number of RSUs	Weighted average grant price	Number of RSUs	Weighted average grant price
Outstanding, beginning of year	192,597	\$4.87	129,125	\$3.61
Granted	58,770	\$9.06	67,252	\$7.30
Dividend reinvestment	1,373	\$5.86	-	-
Forfeited	(8,617)	\$5.85	(3,780)	\$4.96
Outstanding, end of year	244,123	\$5.85	192,597	\$4.87

The weighted-average remaining contractual life of the 244,123 RSUs outstanding at December 31, 2022 is 1.17 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, 2022 and December 31, 2021.

During the year ended December 31, 2022, the Company recorded net share-based payment expense of \$25,368 (2021 – \$72,685) 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 December 31, 2022, there were 164,295 options outstanding (December 31, 2021 – 170,504), as shown below:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	170,504	\$8.32	173,839	\$8.32
Granted	-	-	-	-
Expired or forfeited	(306)	\$10.97	(1,793)	\$10.02
Exercised	(5,903)	\$6.79	(1,542)	\$6.69
Outstanding, end of year	164,295	\$8.37	170,504	\$8.32

Of the total number of options outstanding as of December 31, 2022, 155,743 have vested and are exercisable by the option holders (December 31, 2021 – 144,805). These exercisable options have a weighted average exercise price of \$8.37 (December 31, 2021 – \$8.25).

The weighted-average remaining contractual life of the 164,295 (December 31, 2021 – 170,504) options outstanding is 4.33 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 year ended December 31, 2022 (2021 – 1,542 options). The weighted average share price on the date of exercise of options exercised during the year ended December 31, 2022 was \$9.08 (2021 – \$7.73).

Employee Share Purchase Plan

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

During the year ended December 31, 2022, the Company recorded share-based payment expense of \$96,086 (2021 – \$69,720) 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.

h. Dividends

The Company settled a cash dividend of \$0.04 per common share (\$493,610 in aggregate) on December 15, 2022 to shareholders of record on November 30, 2022. \$483,958 was settled in cash and \$9,652 was held in trust for future settlement of vested RSUs.

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:

	Years ended December 31,	
	2022	2021
Cost of goods sold (Note 9)	\$ 5,067,304	\$ 5,980,356
Selling and marketing	\$ 10,290,546	\$ 9,076,212
Advertising, Promotion and Selling Costs	5,565,962	5,335,384
Employee Costs	3,805,012	2,985,370
Logistics, Quality Control & Regulatory	855,538	702,794
Share-based Payments (Note 16)	64,034	52,664
General and administration	\$ 5,487,865	\$ 5,262,582
Employee Costs	3,072,313	2,919,028
Corporate Expenses	667,145	600,878
Share-based Payments (Note 16)	471,723	351,466
Professional Fees	354,265	362,958
Depreciation - Property and Equipment (Note 11)	305,350	314,839
Information Technology	257,085	214,385
Insurance	168,470	131,657
Amortization - Intangible Assets (Note 12)	145,648	142,267
Research and Development	121,025	160,675
Net Foreign Exchange Losses (Gains)	(75,159)	64,429
New business development costs	\$ 97,474	\$ 115,867
Finance costs	\$ 77,142	\$ 85,246
Interest expense - lease liability (Note 15)	77,142	85,246
Finance income	\$ (525,795)	\$ (155,466)
Interest Income	(525,795)	(137,047)
Foreign Exchange Gains - Investing	-	(18,419)
Return of Rights service fees (Note 12)	-	\$ (125,000)

18. Earnings per Share

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

	Years ended December 31,	
	2022	2021
Numerator		
Net income attributable to common shareholders	\$ 5,458,345	\$ 6,281,566
Denominator		
Basic		
Weighted average number of shares outstanding	12,303,121	12,689,163
Effect of dilutive securities	237,517	182,118
Weighted average number of shares outstanding	12,540,638	12,871,281
Basic earnings per share	\$ 0.444	\$ 0.495
Diluted earnings per share	\$ 0.435	\$ 0.488

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 December 31, 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 year ended December 31, 2022, such fees 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 (see Note 12), 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 year ended December 31, 2022, such fees have been expensed and included in the Company's Consolidated Statements of Comprehensive Income.

Oncology Supportive Care Distribution Agreement

On December 14, 2022, the Company entered into a Distribution Agreement with a European partner to acquire an exclusive license to use certain trademarks and to distribute an oncology supportive care product in Canada (see Note 12). The Company is committed to paying an additional license fee, contingent on the commercial launch of the product in Canada, in the amount of EUR 55,000 (CAD 79,519) due upon the first anniversary following such launch.

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
2023	\$ 371,711
2024	\$ 371,711
2025	\$ 375,225
2026	\$ 382,253
2027	\$ 382,253
Beyond Next 5 Fiscal Years	\$ 637,089
Total	\$ 2,520,242

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.

	Years ended December 31,	
	2022	2021
Number of Key Management Personnel	6	6
Salary, Benefits, and Bonus	\$1,659,654	\$1,689,577
Share-Based Payments	\$337,470	\$220,513

During the year ended December 31, 2022, the Company recorded share-based payment expense of \$337,470 (2021 - \$220,513) 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 December 31, 2022, there were loans receivable under the MSLP from key management personnel of \$393,532 (December 31, 2021 - \$551,798). MSLP loan repayments of \$164,608 were received from key management personnel during the year ended

The table below summarizes compensation for key management personnel of the Company for the years ended December 31, 2022 and December 31, 2021:

	Years ended December 31,	
	2022	2021
December 31, 2022 (2021 - \$nil). Interest accrued on these MSLP loans during the year ended December 31, 2022 totalled \$5,801 (2021 - \$5,463).		

Transactions with Directors

During the year ended December 31, 2022, the Company paid cash fees to its directors in the amount of \$119,252 (2021 - \$109,312) and recorded share-based payments expense for accounting purposes of \$60,041 (2021 - \$38,116) 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:

December 31, 2022	\$33,362,523
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 December 31, 2022. There were no changes in the Company's approach to capital management during the year.

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 December 31, 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, 22.1% (2021 – 24.0%) in the U.S. jurisdiction, and 5.5% (2021 – 3.0% – 5.5%) in the Barbados jurisdiction.

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	2022	2021
Net Income Before Taxes	\$7,430,651	\$8,378,421
Combined statutory income tax rate	26.50%	26.50%
Expected income tax expense at current rate	1,969,123	2,220,282
Foreign tax differential	(35,438)	(172,998)
Non-deductible expenses	25,018	27,723
Non-taxable portion of capital gains	(1,396)	(2,441)
Prior year tax income tax recovery	(13,164)	(1,180)
Tax rate changes and other adjustments	28,163	25,469
Provision for tax	\$1,972,306	\$2,096,855
Current income tax expense	\$1,981,150	\$2,165,101
Deferred tax expense (recovery)	(8,844)	(68,246)
	\$1,972,306	\$2,096,855
Current income tax payable	(\$318,005)	(\$98,691)

Deferred tax:

Deferred tax assets have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax assets (liabilities):

	2022	2021
Balance at the beginning of the year	\$19,055	(\$49,191)
Recognized in profit/loss	8,844	68,246
Balance at the end of the year	\$27,899	\$19,055

Deferred tax balances:

	2022	2021
Contract liability	\$14,213	\$39,484
RSU shares in trust	204,519	98,980
Lease liability	369,702	412,581
Deferred tax assets	\$588,434	\$551,045
Equipment and intangibles	(\$325,488)	(\$261,686)
Right of Use Asset	(235,047)	(270,304)
Deferred tax liabilities	(\$560,535)	(\$531,990)

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 has one reportable 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

	Years ended December 31,	
	2022	2021
Canada		
Pharmaceutical Business	\$26,251,843	\$25,780,275
Insecticide Business	764,813	1,030,228
Total Canada	\$27,016,656	\$26,810,503
International Jurisdictions		
Pharmaceutical Business - Middle East	\$683,578	\$1,623,723
Insecticide Business - United States	224,953	183,992
Total International Jurisdictions	\$908,531	\$1,807,715
Total Revenue	\$27,925,187	\$28,618,218

For the year ended December 31, 2022, in the Canadian Pharmaceutical Business, revenue from transactions with three major customers each amounted to 10% or more the Company's total revenues. The amount of revenues from each of these three customers totalled \$12,274,175, \$4,726,754 and \$4,633,195 respectively, during 2022 (2021 – four customers with revenues of \$11,692,948, \$4,947,204, \$3,964,638, and \$2,958,631, respectively).

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

	December 31, 2022	December 31, 2021
Canada	\$3,273,655	\$3,011,776
Barbados	68,780	76,236
Total Non-current Assets	\$3,342,435	\$3,088,012

26. Subsequent Event

On February 1, 2023, the Company's Board of Directors declared a dividend of \$0.04 per common share. The Company settled this cash dividend of \$493,566 in aggregate on March 15, 2023 to shareholders of record on February 28, 2023.

Corporate Information

Registered Office

Suite 402
2476 Argentia Road
Mississauga, Ontario, Canada L5N 6M1
Telephone 905.206.0013
Facsimile 905.206.1413
Email info@biosyent.com
Website www.biosyent.com

Board of Directors

Larry Andrews

Ontario, Canada

Joseph Arcuri

Ontario, Canada

Sara Elford

British Columbia, Canada

René C. Goehrum (Chair)

Ontario, Canada

Peter D. Lockhard (Lead Director)

Ontario, Canada

Stephen Wilton

Ontario, Canada

Officers

René C. Goehrum

President and
Chief Executive Officer

Robert J. March

Vice-President and
Chief Financial Officer

Registrar and Transfer Agent

Computershare Trust Company Canada

100 University Avenue,
Toronto, Ontario, M5J 2Y1
Canada

Auditors

MNP LLP

Toronto, Ontario, Canada

Solicitors

Wildeboer Dellelce LLP

Toronto, Ontario, Canada

Caravel Law

Toronto, Ontario, Canada

Harridyal Sodha & Associates

St. Michael, Barbados

Banks

Royal Bank of Canada

Toronto, Ontario, Canada

Canadian Imperial Bank of Commerce

Toronto, Ontario, Canada

City National Bank

Los Angeles, California, USA

Stock Listing

TSX Venture Exchange

Trading symbol: RX