AEQUUS PHARMACEUTICALS INC.

// CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aequus Pharmaceuticals Inc.

Opinion

We have audited the consolidated financial statements of Aequus Pharmaceuticals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, 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, 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.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 22, 2021

// CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars

	Note	December 31, 2020 $	December 31, 2019 $
ASSETS			
Current			
Cash and cash equivalents	4	1,718,869	484,506
Inventory	5	123,322	5,429
Amounts receivable		779,514	556,296
Prepaid expenses		146,691	61,503
		2,768,396	1,107,734
Property and equipment	6	16,996	11,093
Intangible assets, net	7	-	84,795
Right-of-use lease asset, net	8	349,292	469,049
Total assets		3,134,684	1,672,671
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
LIABILITIES			
Current			
Accounts payable	12	160,868	249,528
Accrued liabilities	12	76,254	83,000
Lease liability	9	147,201	143,520
		384,323	476,048
CEBA Loan	11	22,684	-
Lease liability	9	199,276	308,353
Convertible debt	10	1,954,447	1,765,364
Total liabilities		2,560,730	2,549,765
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	13	21,172,054	19,082,670
Contributed surplus		4,101,790	3,694,766
Deficit		(24,699,890)	(23,654,530)
Total shareholders' equity (deficit)		573,954	(877,094)
Total liabilities and shareholders' equity (deficit)		3,134,684	1,672,671

Nature of operations and going concern (Note 1)
Commitments (Note 14)
Subsequent events (Note 19)

These consolidated financial statements were approved for issue by the Board of Directors on April 22, 2021 and signed on its behalf by:

"Christopher Clark"
Director

"Jason Flowerday"
Director

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

// CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian dollars

	Note	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Revenue	18	2,592,613	1,632,524
Expenses			
Research and development	15	54,608	210,827
Sales and marketing	15	1,547,773	1,857,478
General and administration	15	2,055,221	2,200,779
		3,657,602	4,269,084
Loss before other income (loss)		(1,064,989)	(2,636,560)
Other income (loss)			
Interest income	4	4,534	9,481
Income from government assistance	11	19,292	-
Foreign exchange loss		(4,197)	(85)
Impairment of intangible asset	7	-	(478,940)
		19,629	(469,544)
Net loss and comprehensive loss		(1,045,360)	(3,106,104)
Basic and diluted loss per common share		(0.01)	(0.04)
Weighted average number of common shares outstanding – basic and diluted		93,180,709	80,427,578

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

// CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

Expressed in Canadian dollars

	Common Shares		Contributed Surplus	Deficit	Total
	Number	$	$	$	$
Balance, December 31, 2018	80,436,970	18,934,573	3,297,163	(20,550,102)	1,681,634
Share-based payments	-	-	201,004	-	201,004
Adjustment on adoption of IFRS 16	-	-	-	1,676	1,676
Warrants exercised	1,000	220	-	-	220
Issuance of convertible debt	-	147,877	79,626	-	227,503
Share issuance costs	-	-	-	-	-
Broker warrants	-	-	116,973	-	116,973
Net loss for the year	-	-	-	(3,106,104)	(3,106,104)
Balance, December 31, 2019	80,437,970	19,082,670	3,694,766	(23,654,530)	(877,094)
Share-based payments	-	-	297,643	-	297,643
Shares issued for cash pursuant to financing	31,250,000	2,500,000	-	-	2,500,000
Share issuance costs	-	(455,593)	111,008	-	(344,585)
Shares issued – conversion of convertible debt	228,570	48,000	-	-	48,000
Convertible debt	-	(3,023)	(1,627)	-	(4,650)
Net loss for the year	-	-	-	(1,045,360)	(1,045,360)
Balance, December 31, 2020	111,916,540	21,172,054	4,101,790	(24,699,890)	573,954

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

// CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
OPERATING ACTIVITIES		
Net loss	(1,045,360)	(3,106,104)
Add items not affecting cash:		
Accretion expense	234,409	223,428
Depreciation of property and equipment	6,414	19,721
Depreciation of intangible assets	84,795	169,589
Depreciation of right-of-use asset	119,757	119,757
Impairment of intangible asset	-	478,940
Income from government assistance	(19,292)	-
Interest expense	38,431	47,763
Share-based payments	297,643	201,004
	(283,203)	(1,845,902)
Changes in non-cash working capital items relating to operations:		
Inventory	(117,893)	7,264
Amounts receivable	(223,218)	174,855
Prepaid expenses	(85,188)	16,957
Accounts payable and accrued liabilities	(95,406)	17,634
Cash used in operating activities	(804,908)	(1,629,192)
INVESTING ACTIVITIES		
Purchase of property and equipment	(12,317)	(2,679)
Cash used in investing activities	(12,317)	(2,679)
FINANCING ACTIVITIES		
Issuance of common shares, net of issuance costs	2,155,415	220
Issuance of convertible debt, net of issuance costs	-	1,886,412
CEBA loan	40,000	-
Payments of lease obligation	(143,827)	(140,147)
Cash provided by financing activities	2,051,588	1,746,485
Increase in cash and cash equivalents	1,234,363	114,614
Cash and cash equivalents, beginning	484,506	369,892
Cash and cash equivalents, ending	1,718,869	484,506
Non-cash transactions:		
Fair value of brokers' warrants	111,008	116,973
Conversion of bonds into common shares	43,350	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN //

Aequus Pharmaceuticals Inc. (the "Company" or "Aequus") was incorporated under the *Business Corporations Act* (British Columbia) on January 3, 2013 and is a public company listed on the TSX Venture Exchange (the "Exchange") under the symbol "AQS". The Company is a specialty pharmaceutical company with a sales force that markets third-party products for which the Company receives revenues based on agreed upon percentages of net sales. The Company also has a portfolio of internally developed clinical stage reformulated products.

The Company's registered and records office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3, and its head office is located at Suite 2820, 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4.

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The global impact of COVID-19 has resulted in a great deal of volatility and uncertainty in the financial markets, global economy and related supply chains. The financial markets have recovered from their lows although the negative impact from COVID-19 on the Company's financial results remains high and cannot be estimated at this time.

The Company has incurred losses and negative operating cash flows since its inception. As of December 31, 2020, the Company has accumulated a deficit of $24,699,890 (2019 - $23,654,530). The Company will require further financing to meet its financial obligations and sustain its operations in the normal course of the business. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to meet its long-term business strategy depends on its ability to obtain additional equity debt, or equity financing and to generate operational cash flow from commercial services revenue. The Company may not be able to raise additional financing on terms agreeable to the company, or at all.

2. BASIS OF PRESENTATION //

[a] Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") effective for the year ended December 31, 2020.

These consolidated financial statements were approved by the Company's Board of Directors on April 22, 2021.

[b] Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

2. BASIS OF PRESENTATION (CONTINUED)

[c] Functional and foreign currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rate of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

[d] Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company reviews its estimates and underlying assumptions on an ongoing basis.

CRITICAL JUDGMENTS

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i. Research costs are recognized as an expense when incurred, but development costs may be capitalized as intangible assets if certain conditions are met, as described in International Accounting Standard ("IAS") 38 *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38, and all research and development costs have been expensed.

ii. Management is required to assess the functional currency of the Company and its subsidiary. In concluding that the Canadian dollar is the functional currency of the Company and its subsidiary, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company and its subsidiary operate.

iii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy, which involves judgments or assessments made by management.

iv. Management is required to determine whether the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future, including the availability of financing and revenue projection, as well as the current working capital balance and future commitments of the Company.

2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments (continued)

ESTIMATION UNCERTAINTY

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

ii. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

iii. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate of the useful life of the intangible assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down, and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets. The carrying amount of intangible assets does not necessarily reflect present or future value and the ultimate amount recoverable will be dependent upon the successful commercialization of products based on these underlying technologies.

iv. Revenues are recognized based on a calculation of estimated profits using actual third-party sales figures. Changes in estimates of revenues, including changes in estimates of revenue due to returns, are recognized prospectively as adjustments to revenue and amounts receivable. When an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense. At each reporting period the entity reviews and, when necessary, revises the estimates of revenue as services are performed.

3. SIGNIFICANT ACCOUNTING POLICIES //

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below and have been applied to all the years presented, unless otherwise stated.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for fiscal periods beginning on or after January 1, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition.

The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material did not have a significant impact on the Company's consolidated financial statements.

[a] IFRS 16 *Leases*

i. Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, the right-of-use asset has been included under non-current assets and lease liability has been included under current and non-current liabilities.

[b] IFRS 15 *Revenue from Contracts with Customers*

Revenue is recognized based on a five-step model:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] IFRS 15 *Revenue from Contracts with Customers* (continued)

The following is the Company's accounting policy for revenue under IFRS 15:

The Company earns service revenues based on a proportion of a third-party's net product sales, net of allowances for returns. The Company recognizes service revenues when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Service revenue is recognized based on actual third-party sales of products for the reporting period when collectability is certain. Service revenues recognized are estimated based on actual third-party sales for the period net of estimated costs multiplied by the contractual proportionate allocation.

In general, revenues will be recognized as the Company satisfies its performance obligations under the terms of the merchant policy. Performance obligations are considered to be satisfied when the customer obtains control of the related asset. Revenues from product sales are recognized when the risks and rewards of ownership pass to the buyer, collection is reasonably assured and the price is reasonably determinable. Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities. The Company calculates an allowance for returns based on historical information.

[c] IFRS 9 *Financial Instruments*

The following is the Company's accounting policy for financial instruments under IFRS 9:

i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held-for-trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held-for-trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[c] Financial instruments (continued)

ii. Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

iii. Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv. Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

[d] Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses. Inventory costs include expenditures incurred in acquiring the inventory.

[e] Consolidation

These consolidated financial statements include the accounts of the Company's wholly owned subsidiary, Aequus Pharma (Canada) Ltd., formerly TeOra Health Ltd. ("TeOra"), incorporated under the *Business Corporations Act* (Ontario). All significant intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[f] Cash and cash equivalents

Cash and cash equivalents consists of cash, term deposits and guaranteed investment certificates ("GIC") that are readily convertible to known amounts of cash with original maturities of 12 months or less.

[g] Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Initial acquisition cost is based on the fair value of the consideration paid or payable and includes expenditures that are directly attributable to the acquisition of the asset. Where an item of property and equipment is comprised of major components with different useful lives, each component is accounted for and depreciated as a separate item.

Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment. One-half of the depreciation is recognized in the year of acquisition. Office furniture and equipment is depreciated over 5 years. Leasehold improvements are depreciated over the expected term of the lease. Website costs are depreciated over 3 years. Computer equipment is depreciated over 3 years.

[h] Intangible assets

Intangible assets consist of contractual rights to commercialize, market and promote certain pharmaceutical products. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following its initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the useful economic life of five years and assessed for indicators of impairment at the end of each reporting period. The amortization period is reviewed at least annually.

[i] Impairment of assets

Financial assets and non-financial assets of the Company are reviewed at the end of each reporting period or when facts and circumstances suggest their carrying values have been impaired. The Company considers assets to be impaired if the carrying values exceed the recoverable amount, being the higher of the value in use and the fair value less costs to sell.

Financial assets include cash and cash equivalents carried at fair value and amounts receivable measured at amortized cost. Amounts receivable consist primarily of Goods and Services Tax due from the Government of Canada and revenue from customers for promotional marketing services performed. The Company considers the recoverable amounts of its financial assets to approximate their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[i] Impairment of assets (continued)

Non-financial assets consist of property and equipment, right-of-use assets and intangible assets. In assessing value in use for a non-financial asset, the estimated future cash flows associated with the non-financial asset are discounted to their present value using a risk adjusted pre-tax discount rate. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment immediately recognized in net income or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate, subject to the amount not exceeding the carrying amount that would have been determined had impairment loss not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in net income or loss.

[j] Research and development costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, and intent and ability to develop and use the technology, are met for deferral and amortization. No development cost has been deferred to date.

[k] Share-based payments

The Company grants stock options to directors, officers and consultants pursuant to a stock option plan described in Note 13[e]. The Company uses the fair value method to account for all share-based awards granted, modified or settled, and the Black-Scholes option pricing model to determine the fair value of stock options granted. As such, a share-based payment is recorded based on the estimated fair value of options with a corresponding credit to contributed surplus. Any consideration received plus the amounts recognized in contributed surplus will be transferred to share capital on the exercise of stock options. The amounts remain in contributed surplus for stock options that expire unexercised. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of share options that will eventually vest are accounted for prospectively. Options issued to non-employees are valued based on the fair value of the options issued, as the fair value of the services provided cannot be measured reliably.

[l] Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the future income tax consequences attributable to differences between carrying values of assets and liabilities and their respective income tax bases, unused tax losses and other income tax deductions.

Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized. The Company reassesses the extent to which tax benefits may be realized at the end of each reporting period.

Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the related tax assets are realized, or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflect the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[l] Income taxes (continued)

deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

Current and deferred income tax expense or recovery are recognized in net income or loss, except when they arise as a result of items recognized in other comprehensive income or loss, or directly in equity in the current or prior periods, in which case the related current and deferred income taxes are also recognized in other comprehensive income or loss, or in equity, respectively.

[m] Investment tax credit

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in net income or loss depending on the nature of the expenditures that gave rise to the credits. Claims for tax credits are recorded upon the Company receiving cash from the Canada Revenue Agency.

[n] Loss per common share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per common share is equivalent to basic loss per common share, as the effects of outstanding warrants and options (Note 13) are anti-dilutive for all periods presented.

[o] Equity and share capital

Share capital represents the value of shares that have been issued. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. The Company may issue units consisting of common shares and common share purchase warrants. The Company estimates the fair value of the common shares based on their market price on the announcement date. The residual difference, if any, between the unit price and the fair value of each common share represents the fair value attributable to each warrant.

[p] Accounting standards issued but not yet applied

New standards, interpretations, amendments and improvements to existing standards with future effective dates are either not applicable or not expected to have a significant impact on the Company’s financial statements.

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS //

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Cash	1,718,746	182,779
Short-term investment	123	301,727
	1,718,869	484,506

At December 31, 2020, the Company has a variable rate investment of $nil (2019 - $300,000), as the Company redeemed the investment in full. During the year ended December 31, 2020, the Company recognized interest income of $4,534 (2019 - $9,481).

5. INVENTORY //

Inventory consists of finished goods only and is valued at the lower of cost or net realizable value, on a first-in, first-out basis. The cost value for finished goods includes the purchase price, import duties and other directly attributable costs.

The Company evaluates the carrying value of inventories on a regular basis, considering such factors as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

6. PROPERTY AND EQUIPMENT //

	Office Furniture and Equipment $	Computer Equipment $	Website Costs $	Leasehold Improvements $	Total $
Cost:					
Balance, December 31, 2018	10,553	12,973	42,235	4,211	69,972
Addition	-	2,679	-	-	2,679
Balance, December 31, 2019	10,553	15,652	42,235	4,211	72,651
Addition	-	12,317	-	-	12,317
Balance, December 31, 2020	10,553	27,969	42,235	4,211	84,968
Accumulated depreciation:					
Balance, December 31, 2018	6,952	2,518	28,156	4,211	41,837
Depreciation	1,585	4,057	14,079	-	19,721
Balance, December 31, 2019	8,537	6,575	42,235	4,211	61,558
Depreciation	1,008	5,406	-	-	6,414
Balance, December 31, 2020	9,545	11,981	42,235	4,211	67,972
Net book value:					
As of December 31, 2019	2,016	9,077	-	-	11,093
As of December 31, 2020	1,008	15,988	-	-	16,996

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment are reported at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method, commencing when the assets become available for use.

7. INTANGIBLE ASSETS //

[a] On July 28, 2015, the Company acquired all issued and outstanding shares of TeOra for its sales and marketing capabilities, and a right to promote and market PR Vistitan™ ("Vistitan"), an ophthalmology product, within Canada. In exchange for these assets and continuing services of TeOra's management, the Company issued 3,360,000 common shares of the Company with a fair value of $1,002,120, repaid TeOra's liabilities of $154,817 in cash and incurred transaction costs of $82,448 for a total acquisition cost of $1,239,385; 2,940,000 common shares were held in escrow for release over time for services performed and upon achievement of certain milestones.

During the year ended December 31, 2018, the Company extended the term for its promotional service agreement related to Vistitan to June 2021, with an option for renewal upon mutual agreement.

[b] On February 12, 2016, the Company entered into a licensing agreement with Supernus Pharmaceuticals, Inc. ("Supernus") for Canadian commercial rights to Topiramate XR and Oxcarbazepine XR, two branded products for the treatment of epilepsy (the "Supernus Agreement"). Pursuant to the terms of the Supernus Agreement, and in addition to the upfront payment of $478,940 (US$350,000), the Company is further obligated to pay an aggregate US$3.6 million in milestone payments upon the achievement of specified regulatory milestones, mid-teen royalty on net sales of Topiramate XR, US$1.5 million on net sales of Oxcarbazepine XR, as well as a milestone payment of US$1.5 million linked to achievement of specified cumulative net sales from both Topiramate XR and Oxcarbazepine XR. The Company is responsible for the regulatory submission and commercial activities for both products in Canada. The term of the Supernus Agreement will continue as long as the Topiramate XR and Oxcarbazepine XR products are sold in Canada. During the year ended December 31, 2019, the Company recognized an impairment of $478,940.

	TeOra Assets $	Supernus Licensing Fee $	Total $
Cost:			
Balance, December 31, 2018	847,945	478,940	1,326,885
Impairment	-	(478,940)	(478,940)
Balance, December 31, 2019 and December 31, 2020	847,945	-	847,945
Accumulated amortization:			
Balance, December 31, 2018	593,561	-	593,561
Amortization of intangible assets	169,589	-	169,589
Balance, December 31, 2019	763,150	-	763,150
Amortization of intangible assets	84,795	-	84,795
Balance, December 31, 2020	847,945	-	847,945
Net book value:			
As of December 31, 2019	84,795	-	84,795
As of December 31, 2020	-	-	-

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

8. RIGHT-OF-USE LEASE ASSET //

The Company's right-of-use asset relates to the lease of office space.

On adoption of IFRS 16, the Company recognized lease liabilities, which had previously been classified as "operating leases" under IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 9.5%.

	$
Cost:	
Balance at January 1, 2019, on adoption of IFRS 16	588,806
Accumulated amortization:	
Balance at January 1, 2019, on adoption of IFRS 16	-
Depreciation	119,757
Balance, December 31, 2019	119,757
Depreciation	119,757
Balance, December 31, 2020	239,514
Net book value:	
As of January 1, 2019, on adoption of IFRS 16	588,806
As of December 31, 2019	469,049
As of December 31, 2020	349,292

9. LEASE LIABILITY //

	$
Balance at January 1, 2019, on adoption of IFRS 16	544,256
Interest expense	47,763
Lease payments	(140,146)
Balance, December 31, 2019	451,873
Interest expense	38,431
Lease payments	(143,827)
Balance, December 31, 2020	346,477
Which consists of:	
Current lease liability	147,201
Non-current lease liability	199,276
Balance, December 31, 2020	346,477

On December 1, 2018, the Company renewed the lease agreement for its Vancouver head office premises for five years, expiring November 30, 2023. Pursuant to this renewal, the Company is obligated to pay basic rent of $11,960 and operating costs, including electricity and related taxes of approximately $7,570, on a monthly basis. The base annual rent will increase to $147,200 for the year ended December 31, 2021, and $150,880 and $154,560 in 2022 and 2023, respectively.

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

10. CONVERTIBLE DEBT //

On May 2, 2019, the Company issued convertible debenture units ("Convertible Debenture Unit") of the Company at a price of $1,000 per Convertible Debenture Unit for proceeds of $2,348,000. Each Convertible Debenture Unit consisted of one 9.5% unsecured convertible debenture in the amount of $1,000 and 2,380 warrants. Each Convertible Debenture Unit is convertible at the option of the holder into common shares (each, a "Debenture Share") at $0.21, with interest payable semi-annually in arrears on June 30 and December 31 of each year and maturing May 2, 2022. The Company issued 5,588,240 warrants pursuant to the debenture financing. Each warrant entitles the holder to purchase one common share at $0.22 any time up to May 2, 2022.

The fair value of the liability component of the convertible debt was calculated using an imputed interest rate of 15%. The fair value of the liability component was determined to be $2,120,497, with the residual amount of $227,503 being allocated to equity. The Company allocated $79,626 of the equity portion to contributed surplus related to the detachable warrants. The detachable warrants were valued using the Black-Scholes option pricing model.

In relation to the financing, the Company paid $177,646 in cash commission, $283,942 in other financing fees and issued 1,173,842 broker warrants. Each broker warrant is exercisable into one common share at $0.22 until May 2, 2022. The Company recognized $116,973 as share issuance costs related to the broker warrants, which were valued using the Black-Scholes option pricing model under the following assumptions: a risk-free interest rate of 1.6%, annualized volatility of 90%, an expected life of 3 years, nil dividend yield, $0.22 exercise price and a $0.185 share price. The total costs associated with issuing the convertible debt totaled $578,561 and was allocated to the liability and equity component on a prorated basis of the convertible debt.

For the year ended December 31, 2020, the Company recorded $246,753 of finance and interest expense and $232,433 in accretion expense (2019 - $147,478 and $223,428, respectively) related to the convertible debt. A continuity schedule of the convertible notes is as follows:

	$
Balance, January 1, 2019	-
Proceeds on issuance of convertible notes	2,348,000
Amount allocated to equity on issuance	(227,503)
Commission expense	(461,588)
Amount allocated to broker warrants	(116,973)
Accretion expense	223,428
Balance, December 31, 2019	1,765,364
Early conversion	(43,350)
Accretion expense	232,433
Balance, December 31, 2020	1,954,447

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

11. CEBA LOAN //

The Company was approved for a $40,000 COVID-19 response loan via the Canada Emergency Business Account Program (the "CEBA Loan"). The CEBA Loan is a 0% interest operating line of credit until December 31, 2020. On January 1, 2021, this line of credit will convert to a 2-year, 0% interest term loan to be repaid by December 31, 2022. If the loan is not repaid by December 31, 2022, the loan will be converted to a 3-year term loan at an interest rate of 5%. A partial CEBA Loan forgiveness of $10,000 applies if repaid in full by December 31, 2022. The CEBA Loan was recognized at its fair value of $20,800. The fair value of the loan was discounted using an interest rate of 15%. During the year ended December 31, 2020, accretion expense of $1,976 (2019 - $nil) was recorded related to the CEBA Loan. The Company anticipates repaying the CEBA Loan prior to December 31, 2022. The fair value of the CEBA Loan as at December 31, 2020 is $22,684.

12. RELATED PARTY DISCLOSURE //

[a] Transactions with related parties

Related parties include members of the Board of Directors and officers of the Company, and enterprises controlled by these individuals. The following fees and expenses were incurred:

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Management	612,765	611,174
Consulting	-	7,321
Total	612,765	618,495

i. Effective December 1, 2016, the Company entered into a consulting agreement with Northview Ventures Inc. ("NVI") and Doug Janzen, the Chief Executive Officer of the Company. During the year ended December 31, 2020, NVI received $211,875 (2019 - $191,250) in Management, wages and related.

ii. Anne Stevens, the Chief Operating Officer, was compensated at a monthly rate of $10,449 from August 31, 2018 to September 30, 2019, and $15,625 thereafter. During the year ended December 31, 2020, Ms. Stevens received $161,128 (2019 - $142,970) salaries included in the Management, wages and related expense.

iii. The Company entered into a consulting service agreement with Ian Ball, the former Chief Commercial Officer of the Company. During the year ended December 31, 2020, the Company recognized Management, wages and related expenses of $15,000 (2019 - $153,000) related to Mr. Ball's services.

iv. The Company entered into a consulting service agreement with Dr. Donald McAfee, the former Chief Scientific Officer. Pursuant to the consulting agreement, Dr. McAfee was compensated at a daily rate of US$1,000. During the year ended December 31, 2020, Dr. McAfee charged total consulting fees of $nil (2019 - $7,321).

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

12. RELATED PARTY DISCLOSURE (CONTINUED)

[a] Transactions with related parties (continued)

v. The Company entered into a consulting service agreement with Fehr & Associates and Ann Fehr, the Chief Financial Officer of the Company. Pursuant to this consulting agreement, Mrs. Fehr is compensated at a rate of $1,000 per month plus $120 per hour. During the year ended December 31, 2020, Fehr & Associates charged total Management, wages and related of $111,098 (2019 - $123,954) for CFO and outsourced accounting services.

As of December 31, 2020, the Company has included in its accounts payable and accrued liabilities $nil (2019 - $7,690) due to Fehr & Associates.

vi. The Company entered into a consulting service agreement with Transcend Research and Consulting and Stuart Fowler, a director and strategic commercial advisor of the Company. During the year ended December 31, 2020, the Company recognized Management, wages and related expense of $45,000 (2019 - $nil) related to Mr. Fowler's services.

vii. Grant Larsen, the new Chief Commercial Officer, was compensated at a monthly rate of $15,000. During the year ended December 31, 2020, Mr. Larsen received $68,664 (2019 - $nil) in salaries included in the Management, wages and related expense.

The amounts owing to the related parties, as described above, are non-secured, non-interest-bearing and without specific terms of repayment.

[b] Key management compensation

Key management includes members of the Board of Directors and executive officers of the Company. Compensation awarded to key management is listed below:

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Management, wages and related, general administration	371,756	428,169
Management, wages and related, research and development	31,781	83,555
Management, wages and related, sales and marketing	209,228	99,450
Consulting, research and development	-	7,321
Share-based payments, general administration	83,146	49,446
Share-based payments, research and development	6,202	20,014
Share-based payments, sales and marketing	112,712	7,098
Total	814,825	695,053

12. RELATED PARTY DISCLOSURE (CONTINUED)

[c] Other

During the year ended December 31, 2017, the Company entered into two separate sublease agreements with Northview Lifesciences and Fehr & Associates for recovery of rent expense. During the year ended December 31, 2020, the Company received $630 and $48,781 (2019 - $5,136 and $52,256), respectively.

13. SHARE CAPITAL //

[a] Preferred shares

The authorized share capital of the Company consists of an unlimited number of Class A preferred shares without par value. As of December 31, 2020 and 2019, there were no preferred shares issued and outstanding.

[b] Common shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

During the year ended December 31, 2020:

i. On August 6, 2020, the Company issued 31,250,000 units at a price of $0.08 per unit for aggregate proceeds of $2,500,000. Each unit is comprised of one common share and one-half of one warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.12 for 36 months. The Warrants include an acceleration provision, exercisable at the Company's option, if the Company's daily volume weighted average share price is greater than $0.20 for ten consecutive trading days.

   The units were issued pursuant to an agency agreement (the "Agency Agreement") between the Company and Cormark Securities Inc. (the "Agent"). In accordance with the Agency Agreement, the Agent received: (i) a cash commission equal to 5% of the aggregate gross proceeds of the offering; and (ii) broker warrants (the "Compensation Warrants") equal to 5% of the aggregate number of units issued and sold under the offering. Each Compensation Warrant entitles the Agent to purchase one unit at a price of $0.08 for 36 months, with each unit consisting of one common share and one-half of one warrant (each whole common share purchase warrant, a "Broker Warrant"). Each Broker Warrant will entitle the holder to acquire one common share at an exercise price of $0.12 for 36 months, subject to adjustment and/or acceleration in certain events.

   As per the Company's accounting policy of equity and share capital, the Company estimates the fair value of the common shares based on their market price on the announcement date. The residual difference, if any, between the unit price and the fair value of each common share represents the fair value attributable to each Warrant. The market value of one common share on the closing date was $0.085, which is more than the unit price of $0.08. Therefore, no value was allocated to the Warrants.

   The Company recognized $77,906 and $33,102 as share issuance costs related to the Compensation Warrants and Broker Warrants, respectively, which were both valued using the Black-Scholes option pricing model under the following assumptions: a risk-free interest rate of 0.26%, estimated annualized volatility of 91.52%, an expected life of 3 years, nil dividend yield and a $0.185 share price. An exercise price of $0.08 was used for Compensation Warrants and $0.12 was used for Brokers Warrants.

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

ii. Convertible Debenture Units were converted into 228,570 common shares at a conversion price of $0.21 per common share for a total amount of $48,000, and $877 of accrued interest was paid out.

During the year ended December 31, 2019:

i. 1,000 share purchase warrants were exercised at $0.22, and the Company issued 1,000 common shares for proceeds of $220.

[c] Common share purchase warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2018	13,562,500	0.41
Issued	5,588,240	0.22
Expired	(8,625,000)	(0.45)
Exercised	(1,000)	(0.22)
Balance, December 31, 2019	10,524,740	0.28
Issued	15,625,000	0.12
Expired	(4,937,500)	(0.34)
Balance, December 31, 2020	21,212,240	0.15

Date of Expiry	Number of Warrants Outstanding	Exercise Price $
August 6, 2023	15,625,000	0.12
May 2, 2022	5,587,240	0.22
Balance, December 31, 2020	21,212,240	

The remaining life of the common share purchase warrants as of December 31, 2020 is 2.27 (2019 - 1.48) years.

Subsequent to the year ended December 31, 2020, the Company elected to exercise its right to trigger an accelerated expiry under the terms of a warrant indenture and 3,281,250 outstanding warrants with an exercise price of $0.12 expired unexercised.

[d] Broker Warrants

	Number	Weighted Average Exercise Price $
Balance, December 31, 2018	1,028,750	0.30
Issued	1,173,842	0.22
Expired	(862,500)	(0.30)
Balance, December 31, 2019	1,340,092	0.23
Expired	(166,250)	(0.30)
Balance, December 31, 2020	1,173,842	0.22

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

[d] Broker Warrants (continued)

At December 31, 2020, 1,173,842 Broker Warrants with an exercise price of $0.22 were outstanding with an expiry date of May 2, 2022. The remaining life of the Broker Warrants at December 31, 2020 is 1.84 (2019 - 2.12) years.

[e] Compensation Warrants

During the year ended December 31, 2020, the Company issued 781,250 Compensation Warrants with an exercise price of $0.08. At December 31, 2020, there were 781,250 Compensation Warrants outstanding with an expiry date of August 6, 2023. Subsequent to the year ended December 31, 2020, the Company elected to exercise its expiry acceleration right under the terms of a warrant indenture, and as such, 781,250 Broker Warrants related to the Compensation Warrants, with an exercise price of $0.12, expired unexercised. The remaining life of the Broker Warrants at December 31, 2020 is 2.6 years.

[f] Stock options

On December 10, 2014, the Company adopted a stock option plan (the “Stock Option Plan”) providing the granting of options to employees, officers, directors, consultants and scientific advisory board members. The Stock Option Plan was subsequently amended on February 4, 2015 to meet the listing requirements of the Exchange. On June 15, 2015, August 19, 2016, June 12, 2017 and June 26, 2019, the Company further amended its Stock Option Plan (the “Amended and Restated Stock Option Plan”).

The maximum number of common shares issuable under the Amended and Restated Stock Option Plan is fixed at 16,000,000 common shares. Under the Amended and Restated Stock Option Plan, the maximum number of common shares that may be optioned in favor of any single individual will not exceed 5% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be optioned in favor of directors and senior officers under the Amended and Restated Stock Option Plan is 10% of the issued and outstanding common shares at the date of grant. The options can be granted for a maximum term of 10 years.

During the year ended December 31, 2020, the Company recorded share-based payments of $297,643 (2019 - $201,004) related to stock options that vested in the period. The fair values of 4,769,337 stock options granted during the year ended December 31, 2020 are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Risk-free interest rate	0.64%	1.91%
Estimated annualized volatility	93.30%	91.24%
Expected life	7.65 years	8 years
Expected dividend yield	0%	0%
Exercise price	$0.11	$0.18
Fair value per option	$0.06	$0.14

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

[e] Stock options (continued)

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2018	7,998,278	0.30
Expired	(600,000)	(0.16)
Granted	700,000	0.18
Balance, December 31, 2019	8,098,278	0.30
Expired	(1,124,337)	(0.25)
Cancelled	(1,768,941)	(0.37)
Granted	4,769,337	0.11
Balance, December 31, 2020	9,974,337	0.21

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
December 12, 2021	0.35	565,000	565,000
August 21, 2022	0.13	250,000	250,000
October 13, 2022	0.12	500,000	250,000
December 18, 2022	0.55	350,000	350,000
March 6, 2023	0.55	350,000	350,000
July 9, 2023	0.57	150,000	150,000
April 21, 2024	0.47	370,000	370,000
July 22, 2024	0.35	150,000	150,000
December 6, 2025	0.20	1,840,000	1,840,000
April 26, 2026	0.25	30,000	30,000
November 6, 2026	0.18	800,000	800,000
February 1, 2027	0.18	600,000	275,000
February 14, 2028	0.13	450,000	200,000
June 4, 2028	0.09	1,124,337	562,169
August 23, 2028	0.13	1,000,000	250,000
December 8, 2028	0.11	1,445,000	536,250
Total	0.21	9,974,337	6,928,419

As of December 31, 2020, the weighted average remaining life for outstanding options was 5.38 (2019 - 4.52) years.

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

14. COMMITMENTS //

Licensing agreement

Pursuant to the terms of the Supernus Agreement (Note 7[b]), and in addition to the upfront payment of $478,940 (US$350,000), the Company is further obligated to pay an aggregate US$5.15 million in milestone payments upon the achievement of specified regulatory milestones, mid-teen royalty on net sales of Topiramate XR and Oxcarbazepine XR, as well as a milestone payment of US$1.5 million linked to achievement of specified cumulative net sales from both Topiramate XR and Oxcarbazepine XR. The Company is responsible for the regulatory submission and commercial activities for both products in Canada. The term of the Supernus Agreement will continue as long as the Topiramate XR and Oxcarbazepine XR products are sold in Canada. During the year ended December 31, 2019, the Company recognized an impairment loss of $478,940 due to the Company's limited ability to pay the future milestone payments in the next year. Development activity related to this agreement has been suspended.

15. OPERATING EXPENSES //

[a] Research and development expenses

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Consulting (Note 12)	-	27,080
Management, wages and related (Note 12)	31,781	92,322
Patent and intellectual property protection	4,451	37,454
Share-based payments (Notes 12 and 13)	18,293	51,523
Travel and accommodation	83	2,448
Total	54,608	210,827

[b] Sales and marketing expenses

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Advertising and promotion	99,244	146,045
Depreciation and amortization (Notes 6 and 7)	91,209	189,309
Management, wages and related (Note 12)	120,409	99,450
Printing and other	43,481	26,555
Salesforce	958,884	1,008,700
Share-based payments (Notes 12 and 13)	150,433	82,241
Travel and accommodation	84,113	305,178
Total	1,547,773	1,857,478

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

15. OPERATING EXPENSES (CONTINUED)

[c] General and administration expenses

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Accretion (Notes 10 and 11)	234,409	223,428
Consulting	348,985	355,601
Depreciation of right-of-use leased asset (Note 8)	119,757	119,757
Interest (Notes 9 and 10)	285,184	195,241
Legal and professional fees	114,859	192,582
Management, wages and related (Note 12)	460,508	612,212
Office and general	258,991	230,033
Regulatory and transfer agent fees	60,064	55,282
Share-based payments (Notes 12 and 13)	128,917	67,240
Travel and accommodation	43,547	149,403
Total	2,055,221	2,200,779

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT //

Fair value

The Company's financial instruments at December 31, 2020 include cash and cash equivalents, amounts receivable, accounts payable, accrued liabilities, convertible debentures and CEBA Loan. The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., from derived prices); and
Level 3 - inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and cash equivalents is based on Level 1 inputs, and the fair value of the liability component of convertible debt is based on Level 2 inputs. The fair value of the convertible debentures and CEBA Loan at issuance was determined using Level 2 inputs.

[a] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and cash equivalents and amounts receivable. The Company has adopted practices to mitigate the deterioration of principal, to enhance the Company's ability to meet its liquidity needs and to optimize yields within those parameters. These investment practices limit the investing of excess funds to liquid term deposits or cashable GICs with banks and government guaranteed securities with maturities of one year or less. The Company has a cashable GIC at December 31, 2020 of $nil (2019 - $300,000).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[b] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's exposure to liquidity risk is dependent on its purchasing commitments and obligations and its ability to raise funds to meet commitments and sustain operations. The Company manages liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. As of December 31, 2020, the Company had working capital of $2,384,073 (2019 - $631,686).

[c] Market risk

i. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to significant cash flow fluctuations due to interest rate changes on its convertible notes, as these bear interest at a fixed rate of 9.5%. As such, fluctuations in the market interest rates during the years ended December 31, 2020 and 2019 had no significant impact on its interest income.

ii. Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company has a portion of its operating expenses in US dollars. The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows.

As at December 31, 2020 and 2019, the Company had the following assets and liabilities denominated in US dollars:

	December 31, 2020 US$	December 31, 2019 US$
Cash and cash equivalents	1,371	1,491
Accounts payable and accrued liabilities	(4,261)	-
Total	(2,890)	1,491

Based on the above net exposure as at December 31, 2020, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the US dollar would result in a change of US$145 (2019 - US$75) in the Company's net loss. Furthermore, the Company incurred US$60,077 expenditures during the year ended December 31, 2020 (2019 - US$98,131). A 5% appreciation or deterioration of the Canadian dollar against the US dollar would result in a change of US$3,004.

The Company also incurred €77,627 of expenditures during the year ended December 31, 2020 (2019 - €nil) and €3,368 of accounts payable as at December 31, 2020.

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] Capital disclosure

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue the development of its product candidates for ultimate sale or out-licensing. The Company attempts to maximize return to shareholders by minimizing shareholder dilution and, when possible, utilizing non-dilutive funding arrangements, such as collaborative partnership arrangements.

The Company defines its capital as share capital and contributed surplus and convertible debentures. The Company has financed its capital requirements primarily through share and warrant issuances since inception, and during the year ended December 31, 2019 issued Convertible Debenture Units.

The Company manages its capital structure and adjusts it considering changes in economic conditions and risk characteristics of the underlying assets. The Company may issue new securities. The Company is not subject to any externally imposed capital requirements. Other than the issuance of convertible debentures, there were no changes to the Company's approach to capital management during the years ended December 31, 2020 and 2019.

17. INCOME TAXES //

At December 31, 2020, the Company has non-capital loss carry-forwards available to offset future taxable income in Canada, which expire as follows:

Expiry Date	Non-Capital Losses $
December 31, 2033	1,760,053
December 31, 2034	613,893
December 31, 2035	2,705,562
December 31, 2036	3,962,806
December 31, 2037	3,348,023
December 31, 2038	2,188,996
December 31, 2039	2,811,089
December 31, 2040	597,629
	17,988,051

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2020 $	December 31, 2019 $
Deferred income tax assets (liabilities):		
Share issuance costs	63,054	182,429
Scientific research and experimental development expenditures	887,474	855,235
Non-capital loss carry-forwards	4,856,774	4,606,010
Total deferred income tax assets	5,807,302	5,643,674
Deferred income tax not recognized	(5,807,302)	(5,643,674)
Net deferred tax asset	-	-

For the years ended December 31, 2020 and 2019 (Expressed in Canadian dollars)

17. INCOME TAXES (CONTINUED)

The Company also has non-refundable tax credits of approximately $133,000 related to scientific research and experimental development expenditures in Canada available to carry-forward indefinitely to offset taxes payable in future years.

The reconciliation of income tax attributable to operations computed at the statutory tax rate to income tax expenses using a 27% statutory tax rate is:

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Expected income tax recovery at statutory rates	(282,247)	(838,648)
Items not deductible for tax purposes	82,822	120,715
Under (over) provided in prior year	74,734	(31,696)
Benefits not recognized	124,691	749,629
Income tax expense	-	-

18. SEGMENTED DISCLOSURE //

The Company received revenues by providing promotional services to sell third-party owned products, Tacrolimus IR and Vistitan. One hundred percent of its generated revenues are from one arm's length customer. The Company operates in one geographical segment, being the Canadian market.

19. SUBSEQUENT EVENTS //

- Subsequent to year-end, the Company granted 180,000 stock options exercisable at $0.10 per common share expiring on January 8, 2029 and 15,000 stock options exercisable at $0.14 per common share expiring on January 25, 2029.

- On February 26, 2021, the Company closed a private placement of 6,666,666 units at a price of $0.15 per unit, for proceeds of $1,000,000, to Marc Lustig, a director of the Company. Each unit shall consist of one common share and one-half of one warrant. Each warrant shall entitle the holder to purchase one common share at an exercise price of $0.25 for 24 months.

- Subsequent to year-end, $292,000 of convertible debentures (Note 10) was converted into 1,390,475 common shares.

- Subsequent to year-end, the Company issued 12,343,750 shares at $0.12 per share, pursuant to the exercise of warrants for net proceeds of $1,481,250.

- Subsequent to year-end, the Company issued 317,000 shares at $0.22 per share pursuant to the exercise of warrants for net proceeds of $69,740.