Medexus Pharmaceuticals Inc.

Consolidated Financial Statements
March 31, 2021 and 2020
(expressed in thousands of United States dollars)

Independent auditor's report

To the Shareholders of Medexus Pharmaceuticals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Medexus Pharmaceuticals Inc. and its subsidiaries (together, the Company) as at March 31, 2021 and 2020 and April 1, 2019, and its financial performance and its cash flows for the years ended March 31, 2021 and 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2021 and 2020 and April 1, 2019;
- the consolidated statements of loss and comprehensive loss for the years ended March 31, 2021 and 2020;
- the consolidated statements of changes in shareholders' equity for the years ended March 31, 2021 and 2020;
- the consolidated statements of cash flows for the years ended March 31, 2021 and 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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

In connection with our audit 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 audit, or otherwise appears to be materially misstated.

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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 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 Andrew Popliger.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 16, 2021

Medexus Pharmaceuticals Inc.

Consolidated Statements of Financial Position

(expressed in thousands of United States dollars)

As at	Note	March 31, 2021 $	March 31, 2020 $ *Adjusted & Restated (Note 2)*	April 1, 2019 $ *Restated (Note 2)*
Assets				
Current assets				
Cash and cash equivalents		**18,704**	5,233	21,855
Accounts receivable	4	**18,829**	14,957	7,436
Inventories	5	**14,667**	14,084	4,234
Prepaids		**4,706**	4,345	1,505
Other current assets		**1,665**	1,113	-
		58,571	39,732	35,030
Property and equipment	6	**795**	1,099	1,457
Intangible assets	7	**76,362**	69,765	40,985
Goodwill	7	**10,653**	10,058	7,739
Other long-term assets		**2,132**	2,119	520
		148,513	122,773	85,731
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	8	**27,328**	22,037	9,975
Interest payable		**102**	149	-
Income tax payable		**514**	680	473
Current portion of long-term debt	9	**10,569**	10,191	297
Balance of payable for business combinations	11	**1,424**	1,103	137
		39,937	34,160	10,882
Long-term debt	9	**9,397**	9,882	511
Convertible debentures – Host	10	**24,906**	18,724	16,857
Convertible debentures – Derivative	10	**23,726**	1,988	11,315
Balance of payable for business combinations	11	**29,884**	27,262	12,737
Deferred tax liabilities	22	**2,645**	6,481	5,428
		130,495	98,497	57,730
Shareholders' Equity				
Share capital	12	**66,688**	44,761	46,352
Contributed surplus		**9,497**	7,041	5,686
Cumulative translation adjustment		**4,203**	6,580	5,368
Deficit		**(62,370)**	(34,106)	(29,405)
		18,018	24,276	28,001
		148,513	122,773	85,731

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended March 31, 2021 and 2020

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	Note	2021 $	2020 $ *Restated (Note 2)*
Revenue			
Products		**79,660**	55,506
Cost of sales			
Cost of sales of products		**32,183**	20,915
Amortization of product licences	7	**5,472**	3,449
		37,655	24,364
Gross profit		**42,005**	31,142
Selling and administrative expenses	15	**36,172**	30,642
Research and development expenses		**4,596**	1,158
Transaction-related fees & expenses		**1,082**	2,106
Termination benefits		**1,025**	1,857
Depreciation and amortization	6,7	**506**	477
Impairment of intangible assets		**-**	691
Operating loss		**(1,376)**	(5,789)
Financing costs	16	**11,481**	8,108
Interest income		**(3)**	(220)
Convertible debentures – Unrealized loss (gain) on fair value of derivative	10	**20,638**	(9,246)
Foreign exchange (gain) loss		**(1,991)**	1,114
Loss before income taxes		**(31,501)**	(5,545)
Income tax recovery			
Current	22	**708**	685
Deferred	22	**(3,945)**	(1,529)
		(3,237)	(844)
Net loss		**(28,264)**	(4,701)
Other comprehensive (loss) income			
Foreign currency (loss) gain on translation		**(2,377)**	1,212
Comprehensive loss		**(30,641)**	(3,489)
Net loss per share			
Basic and Diluted		**(1.86)**	(0.33)
Weighted average number of common shares outstanding		**15,197,419**	14,360,282

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended March 31, 2021 and 2020

(expressed in thousands of United States dollars except number of shares)

	Note	Share Capital Common shares	Share Capital Amount $	Contributed surplus $	Cumulative translation adjustment $	Deficit $	Total shareholders' equity $
Balance – March 31, 2019 Restated (Note 2)		14,746,260	46,352	5,686	5,368	(29,405)	28,001
Net loss		-	-	-	-	(4,701)	(4,701)
Other comprehensive income		-	-	-	1,212	-	1,212
Treasury shares acquired and cancelled		(919,000)	(2,810)	-	-	-	(2,810)
Issuance of warrants	14	-	-	152	-	-	152
Share-based compensation – Stock option plan	13	-	-	35	-	-	35
Share-based compensation – RSU plan	13	-	-	1,623	-	-	1,623
Issuance of shares for settling of RSUs	13	91,757	272	(455)	-	-	(183)
Payment of interest on convertible debentures – settled in shares	10	533,137	947	-	-	-	947
Balance – March 31, 2020		14,452,154	44,761	7,041	6,580	(34,106)	24,276
Balance – March 31, 2020 Restated (Note 2)		14,452,154	44,761	7,041	6,580	(34,106)	24,276
Net loss		**-**	**-**	**-**	**-**	**(28,264)**	**(28,264)**
Other comprehensive loss		**-**	**-**	**-**	**(2,377)**	**-**	**(2,377)**
Share-based compensation – Stock option plan	13	**-**	**-**	**181**	**-**	**-**	**181**
Share-based compensation – RSU plan	13	**-**	**-**	**1,252**	**-**	**-**	**1,252**
Share-based compensation – PSU plan	13	**-**	**-**	**32**	**-**	**-**	**32**
Issuance of shares for settling of RSUs	13	**60,677**	**302**	**(497)**	**-**	**-**	**(195)**
Conversion of convertible debentures	10	**72,062**	**344**	**134**	**-**	**-**	**478**
Common shares issued under bought deal offering	12	**4,581,689**	**21,281**	**1,354**	**-**	**-**	**22,635**
Balance – March 31, 2021		**19,166,582**	**66,688**	**9,497**	**4,203**	**(62,370)**	**18,018**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Cash Flows
For the years ended March 31, 2021 and 2020

(expressed in thousands of United States dollars)

	Note	2021 $	2020 $ *Restated (Note 2)*
Operating activities			
Net loss		**(28,264)**	(4,701)
Adjustments for			
Depreciation and amortization	6,7	**506**	477
Amortization of product licences	7	**5,472**	3,449
Impairment of intangible assets		**-**	691
Share-based compensation expense	13	**1,270**	1,475
Deferred income tax	22	**(3,945)**	(1,529)
Interest expense	16	**9,819**	6,867
Convertible debentures – Unrealized loss (gain) on fair value of derivative	10	**20,638**	(9,246)
Business combinations payable – Unrealized loss on change in fair value	16	**1,662**	1,241
Interest income		**(3)**	(220)
Unrealized foreign exchange (gain) loss		**(2,137)**	1,116
Income tax expense	22	**708**	685
		5,726	305
Changes in non-cash operating working capital items	20	**182**	(1,589)
Income taxes paid	22	**(870)**	(447)
Cash provided (used) by operating activities		**5,038**	(1,731)
Investing activities			
Interest received		**3**	220
Purchases of property and equipment		**(118)**	(77)
Purchases of intangible assets		**(10,637)**	(820)
Business acquisitions		**-**	(29,500)
Business acquisition deferred payment	11	**(952)**	(143)
Cash used by investing activities		**(11,704)**	(30,320)
Financing activities			
Net proceeds from equity financing	12	**22,635**	-
Interest paid		**(3,636)**	(1,069)
Draw on Asset-Based Loan, net		**350**	-
Financing fees		**(297)**	(365)
Repayment of lease liabilities		**(369)**	(334)
Issuance of long-term debt		**-**	20,000
Treasury shares acquired and cancelled		**-**	(2,810)
Cash provided by financing activities		**18,683**	15,422
Net change in cash and cash equivalents during the year		**12,017**	(16,629)
Impact of foreign exchange on cash and cash equivalents		**1,454**	7
Cash and cash equivalents – Beginning of year		**5,233**	21,855
Cash and cash equivalents – End of year		**18,704**	5,233

The accompanying notes are an integral part of these Consolidated Financial Statements.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

1 Incorporation and nature of activities

Medexus Pharmaceuticals Inc. (the "Company") is a rare disease pharmaceutical company which licences and acquires pharmaceutical products for commercialization in the United States and Canada. The Company exists under the Canada Business Corporations Act and is domiciled in Canada. Its registered office is located at 35 Nixon Road, Unit 1, Bolton, Ontario, L7E 1K1. The Company's shares are traded on the TSX Venture Exchange (TSXV).

The consolidated financial statements were authorized for publication by the Board of Directors on June 16, 2021.

2 Basis of presentation and summary of significant accounting policies

Basis of presentation

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as set out in Part I of the CPA Canada Handbook – Accounting. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements are presented in Unites States dollars, which the Company has chosen as its presentation currency. The functional currency of the Parent Company is Canadian Dollars. The Company has subsidiaries that have the United States dollar as its functional currency. As the Company has operations in both Canada and the United States, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations.

The Company has consistently applied the same accounting policies throughout all periods presented in these consolidated financial statements, except for the newly adopted standards described below and the change in presentation currency.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

Basis of consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is obtained, and they are deconsolidated on the date control ceases. These consolidated financial statements include the Company's subsidiaries. As at March 31, 2021, MI Acquisitions, Inc., Medexus Pharma, Inc. (previously Medac Pharma, Inc.), Medexus Inc., and Aptevo BioTherapeutics LLC, are the only wholly owned direct and indirect subsidiaries of the Company. MI Acquisitions, Inc. was created solely for the purpose of acquiring Medexus Pharma, Inc. and does not carry on active business other than the ownership of 100% of the outstanding shares of Medexus Pharma, Inc.

Foreign Currency Translation

Presentation currency

During 2021, the Company changed its presentation currency to United States dollars ("US$") from Canadian dollars ("C$"). The Company has determined that this change in presentation currency better reflects the Company's current activities, increases the comparability to peer companies, and enhances the relevance of the financial statements to users.

The Company applied the change in presentation currency retrospectively and restated the comparative financial information as if the presentation currency had always been US$, in accordance with International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Error. The financial statements of entities with the functional currency of C$ have been translated into US$ in accordance with IAS 21 as follows:

- Assets and liabilities previously presented in C$ were translated into US$ using period end exchange rates;
- The balance of equity as at April 1, 2019 was translated at the period end exchange rate while all equity transactions incurred after April 1, 2019 were using the average foreign exchange rates in effect during those years;
- The consolidated statements of loss and comprehensive loss were translated using the average foreign exchange rates in effect during those years; and
- The resulting foreign currency loss (gain) on translation were recorded to the Cumulative translation adjustment

In preparing its opening statement of financial position, the Company has restated the amounts reported previously in C$ to US$ as detailed below:

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Consolidated Statements of Financial Position - as at April 1, 2019

	Previously reported in C$	Restated US$
Assets		
Current assets	46,811	35,030
Non-current assets	67,752	50,701
	114,563	85,731
Liabilities		
Current liabilities	14,541	10,882
Non-current liabilities	62,603	46,848
	77,144	57,730
Shareholders' Equity		
Share capital	61,944	46,352
Contributed surplus	7,598	5,686
Cumulative translation adjustment	1,408	5,368
Deficit	(33,531)	(29,405)
	37,419	28,001
	114,563	85,731

Consolidated Statements of Financial Position - as at March 31, 2020

	Previously reported in C$	Restated US$
Assets		
Current assets	56,366	39,732
Non-current assets	117,805	83,041
	174,171	122,773
Liabilities		
Current liabilities	48,461	34,160
Non-current liabilities	91,275	64,337
	139,736	98,497
Shareholders' Equity		
Share capital	59,828	44,761
Contributed surplus	9,402	7,041
Cumulative translation adjustment	4,972	6,580
Deficit	(39,767)	(34,106)
	34,435	24,276
	174,171	122,773

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Consolidated Statements of Loss and Comprehensive Loss - as at March 31, 2020

	Previously reported in C$	Restated US$
Revenue		
Products	74,359	55,506
Cost of sales		
Cost of sales of products	27,988	20,915
Amortization of product licences	4,617	3,449
	32,605	24,364
Gross profit	41,754	31,142
Selling and administrative expenses	41,034	30,642
Research and development expenses	1,557	1,158
Transaction-related fees & expenses	2,810	2,106
Termination benefits	2,471	1,857
Depreciation and amortization	639	477
Impairment of intangible assets	919	691
Operating loss	(7,676)	(5,789)
Financing costs	10,788	8,108
Interest income	(292)	(220)
Convertible debentures – Unrealized loss (gain) on fair value of derivative	(12,300)	(9,246)
Foreign exchange (gain) loss	1,485	1,114
Loss before income taxes	(7,357)	(5,545)
Income tax recovery		
Current	912	685
Deferred	(2,033)	(1,529)
	(1,121)	(844)
Net loss	(6,236)	(4,701)
Other comprehensive income		
Foreign currency gain on translation	3,564	1,212
Comprehensive loss	(2,672)	(3,489)
Net loss per share		
Basic and Diluted	(0.43)	(0.33)

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Consolidated Statements of Cash Flows - as at March 31, 2020

	Previously reported in C$	Restated US$
Cash used by operating activities	(2,301)	(1,731)
Cash used by investing activities	(40,519)	(30,320)
Cash provided by financing activities	20,708	15,422
Net change in cash and cash equivalents during the period	(22,112)	(16,629)
Impact of foreign exchange on cash and cash equivalents	331	7
Cash and cash equivalents – Beginning of year	29,205	21,855
Cash and cash equivalents – End of year	7,424	5,233

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in other comprehensive income.

Accounting standards and interpretations issued and their effects

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

The IASB amended some of its requirements to address the uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORS). The amendments issued focused on the accounting effects of uncertainty in the period leading up to the reform. The IASB is also working on the potential consequences for financial reporting of replacing an existing benchmark with an alternative. The amendments impact IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments*: *Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*. The amendments came into effect for annual periods beginning on or after January 1, 2020. There was no impact on the Company's accounting policies or the consolidated financial statements as a result of adopting such amendments.

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors 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 amendment is effective for annual reporting periods beginning on or after

(expressed in thousands of United States dollars, except per share amounts and number of shares)

January 1, 2020. There was no impact on the Company's accounting policies or the consolidated financial statements as a result of adopting such amendments.

New standards not yet adopted by the Company

IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 3, Reference to Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3, Business Combinations. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018). The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 37, Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted and must be disclosed. The amended standard is not expected to have an impact on the consolidated financial statements.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Changes to comparative amounts on consolidated statement of financial position

On February 28, 2020, the Company acquired Aptevo BioTherapeutics LLC ("Aptevo"). At the time of issuing its March 31, 2020 consolidated financial statements, the Company had not finalized its valuation of individual assets acquired and liabilities assumed of Aptevo. As a consequence, there were some changes between the final and disclosed purchase price accounting. The following table shows the adjustments recognized for each line item impacted by the change.

Consolidated Statements of Financial Position

As at March 31, 2020	As previously reported $	Adjustment $	Final amount $
Assets			
Other current assets	1,412	(299)	1,113
Intangible assets	69,466	299	69,765

Global pandemic

The Company is closely monitoring the developments of the Coronavirus ("COVID-19") situation. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, severe travel restrictions and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments in jurisdictions where the Company operates. Labour shortages due to illness, Company- or government-imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of the Company's operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Company operates, could negatively impact stock markets, including any future trading price of the Company's shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing or renegotiating the terms of the Company's existing financing more challenging or more expensive.

Use of judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and on various other assumptions that it considers reasonable. The areas involving a high degree of judgment or complexity, or other areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. Actual results could differ from those estimates. Changes will be reported in the period in which they are identified.

a) Fair value of stock options, RSUs, PSUs and warrants

When the Company issues stock options, RSUs, PSUs and warrants, an estimate of fair value is derived for the instruments using the Black-Scholes option-pricing model. The application of this model requires management to make assumptions regarding several variables, including the period for which the instrument will be outstanding, the price volatility of the Company's shares over a relevant time frame, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future. If different assumptions are used, the value derived for the instruments could be significantly impacted. See notes 13 and 14 for assumptions used to value these instruments.

b) Impairment of intangible assets

Licences are recognized as intangible assets and are amortized over their useful lives when they meet the criteria for capitalization. Forecasted revenue and profitability for the relevant products are used to assess compliance with the capitalization criteria and to assess the recoverable amount of the assets. The useful life is determined by identifying the period in which substantially all of the cash flows are expected to be generated, and generally amortization starts either from the date of the distribution approval or from the date of the licence contract signature, depending on the contract terms. Whenever licences are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

c) Impairment of goodwill

The carrying value of goodwill is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may be impaired. In order to determine if a goodwill impairment test is required, management reviews different factors on a quarterly basis such as changes in market environment and actual financial performance compared to planned performance. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

d) Fair value of convertible debentures

The convertible debentures are a compound financial instrument under IAS 32, *Financial Instruments: Presentation*, and have both a liability and an embedded derivative component. The fair value of the consideration for the compound instrument must be split into its liability and derivative components. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss. To estimate the fair value of the derivative at the inception date and again at subsequent reporting dates, a derivative valuation model was used. The most significant assumption used is the discount rate to fair value for the liability component. If other assumptions are used, the values derived could be significantly impacted. Several key assumptions affect the results of this calculation, including estimated share price volatility, as discussed in note 10.

e) Provisions for returns, chargebacks and rebates

The provision for returns is calculated using management's best estimate of products that will ultimately be returned by customers. The provisions for chargebacks and rebates are estimated using contracted rates. Revenues are recognized net of reserves for estimated returns, chargebacks and rebates.

f) Business combinations

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. The Company develops the fair value by using appropriate valuation techniques, which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

Revenue recognition

Revenue related to the sale of pharmaceutical products is recognized when (i) the contract with the customer is identified; (ii) performance obligations in the contract are identified; (iii) the transaction price is determined; (iv) the transaction price is allocated to the performance obligations; and (v) performance obligations are satisfied. Products are delivered by truck directly from the Company to customers located in Canada and the United States and are recognized as revenue when the control of the products are transferred to the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time control of the products is transferred to the customers.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The Company may provide discounts, rebates and chargebacks to its customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. The Company applies the most likely amount method, estimating discounts, rebates and chargebacks provided to customers using contracted rates. Consequently, revenues are recognized net of reserves for estimated sales discounts, rebates and chargebacks.

Reserves for discounts and allowances: Product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to our customer) or a liability (if the amount is payable to a party other than our customer). The Company's estimates of reserves established for variable consideration are generally calculated based upon utilizing the expected value method. The transaction price, which includes variable consideration reflecting the impact of discounts and allowances, may be subject to constraint and is included in the net sales price only to the extent that it is probable that a significant reversal of the amount of the cumulative revenues recognized will not occur in a future period. Actual amounts may ultimately differ from the Company's estimates. If actual results vary, the Company adjusts these estimates, which could have an effect on earnings in the period of adjustment.

More specifically, these adjustments include the following:

Prompt pay discounts: The Company generally provides invoice discounts on product sales to its customers for prompt payment. The Company estimates that its customers will earn these discounts and fees, and deducts the full amount of these discounts and fees from its gross product revenues and accounts receivable at the time such revenues are recognized.

Government rebates: The Company estimates its government rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability that is included in accrued expenses on the consolidated statement of financial position.

Chargebacks: Chargebacks represent the estimated obligations resulting from contractual commitments to sell products to wholesale distributers at prices lower than the list prices charged to customers who directly purchase the product from the Company. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable.

Co-payment assistance: Co-payment assistance represents financial assistance to qualified patients, assisting them with prescription drug co-payments required by insurance. The program is administered by the specialty pharmacies. The calculation of the accrual adjustment for co-payment assistance is based on the co-payments made on the Company's behalf by the specialty pharmacies; and estimated potential future claims that will be made for product that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original terms to maturity of 90 days or less at the date of purchase.

Inventories

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Cost consists primarily of material and manufacturing costs from third-party suppliers, as well as, manufacturing overhead expenses (including allocation of fixed production overhead costs). Net realizable value is the estimated selling price less applicable selling cost. If the cost exceeds net realizable amount, a provision is recognized. The provision may be reversed in a subsequent period if the circumstances which caused the write down no longer exist.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The Company depreciates its property and equipment as follows:

	Method	Rate/Period
Computer equipment	Straight-line	3 years
Office furniture and equipment	Declining balance	20%

Intangible assets

Separately acquired licences are recorded at cost less accumulated amortization and any accumulated impairment charges. These assets have finite useful lives.

Intangible assets are amortized using the straight-line basis over their estimated lives as follows:

	Period
Licences	Between 7 and 15 years
Software	3 years

Amortization method and useful lives are reviewed and adjusted, if appropriate, on a prospective basis at each reporting date.

Impairment of long-lived assets

Property and equipment and intangible assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels at which they have separately identifiable cash flows (cash-generating units). Non-financial assets that previously had impairment are reviewed for possible reversal of the impairment at each reporting date.

For intangible assets related to licenses, management applies significant judgment in assessing whether an indicator of impairment exists, that would necessitate impairment testing. Factors, such as changes in revenue growth rates and discount rate are evaluated by management in determining whether there are any indicators of impairment.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, which occurs when it is either discharged, canceled or expired.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss (FVTPL), which are measured initially at fair value and subsequently re-valued at the end of each reporting period. The change in the fair value, if any, is recognized within financing costs (income) in the consolidated statements of loss and comprehensive loss.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of investment grade is considered to indicate that a financial instrument may be considered as having low credit risk.

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For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs.

Classification depends on the purpose for which the financial instruments were acquired and on their characteristics. Management determines the classification of its financial instruments at their initial recognition. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

The Company's financial instruments are classified as follows:

Financial instrument	**Classification under IFRS 9**
Measured at amortized cost	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Convertible debentures – Host	Amortized cost
Measured at fair value	
Convertible debentures – Derivative	FVTPL
Balance of payable for business combinations	FVTPL

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash-generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company reviews the carrying value of goodwill in accordance with IAS 36, *Impairment of Assets*, on an annual basis on March 31 or more frequently if events or changes in circumstances indicate a potential impairment. Impairment is determined by assessing the recoverable amount of the Company's CGU. The CGU's recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. The company has only one CGU.

The recoverable amount for goodwill is based on a fair value less costs of disposal method using a discounted cash flow model. Significant assumptions used in the discounted cash flow model included revenue growth rates and discount rate.

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Provisions

Provisions are recognized when the Company has a present legal or constructive obligation (a) as a result of a past event; (b) when it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) when a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is accounted for in the consolidated statement of loss and comprehensive loss.

If the known expected settlement date exceeds 12 months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense. Provisions are reviewed periodically and adjusted as appropriate.

Leases

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

Income taxes

Current income tax expense is calculated on the basis of the applicable Canadian and US tax laws enacted or substantively enacted at the end of the reporting period. The tax expense for the fiscal year comprises current and deferred income tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Research and development

Expenditure on research activities is recognized as an expense in the period during which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

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

To date, the Company has not capitalized any development costs.

Termination benefits

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees in accordance with a detailed formal plan without possibility for withdrawal or providing benefits as a result of an offer made to encourage voluntary termination.

Share-based compensation

The Company has outstanding common stock options, RSUs and PSUs which are considered equity awards. Accordingly, the Company recognizes a share-based compensation expense based on the fair value of the options at the grant date with a corresponding credit to contributed surplus. The options and RSUs vest in tranches (graded vesting) over time. The vesting of PSU awards are contingent on non-market performance conditions. Accordingly, the expense is recognized using the accelerated expense attribution method over the vesting period. When the stock options are exercised, the Company issues new shares and the proceeds net of any directly attributable transaction costs are credited to share capital.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

Loss per share

Loss per share is calculated by dividing the net loss for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur

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if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the year or the issuance date, unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of the warrants, stock options and convertible securities. The treasury stock method assumes that the proceeds from the exercise of warrants and options are used to purchase common shares at the volume weighted average market price during the year. The dilutive effect of convertible securities is determined using the if-converted method. The if-converted method assumes that the convertible securities are converted into common shares at the beginning of the period and all income charges related to the convertible securities are added back to income.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has one reportable operating segment: the products sold and the marketing services offered to the pharmaceutical industry. The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All of the Company's assets are located in Canada and the United States.

Business combinations

The Company follows the acquisition method to account for business combinations in accordance with IFRS 3. The acquisition method of accounting requires that assets acquired and liabilities assumed be recorded at their estimated fair values on the date of a business acquisition. The amounts included in the consolidated statement of loss and comprehensive loss under transaction-related fees and expenses arise from business combinations made by the Company. Acquisition costs that are tied to continuing employment of pre-existing shareholders are required to be recognized as acquisition-related compensation and amortized in accordance with the vesting terms in the acquisition agreement. Consequently, those costs are not included in the total purchase consideration of the business combination. All other costs related to the acquisition are expensed as incurred.

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

3 Business combinations

Aptevo BioTherapeutics LLC

On February 28, 2020, the Company acquired 100% of the outstanding shares of Aptevo BioTherapeutics LLC, ("Aptevo"), a Delaware limited liability company which owns the worldwide rights to the commercial hematology asset, IXINITY®. The Company acquired Aptevo as part of its ongoing effort to gain scale and enter a new therapeutic area.

During the year ended March 31, 2021, the preliminary acquisition-date values assigned for Other current assets and intangible assets were finalized as described in note 2; as required by IFRS, comparative amounts have been adjusted so as to reflect those changes as effective on the acquisition date.

Assets	**As previously reported $**	**Adjustment $**	**Final amount $**
Current assets			
Prepaid expenses	2,973	-	2,973
Inventories	11,042	-	11,042
Other current assets	1,353	(299)	1,054
	15,368	(299)	15,069
Intangible assets	32,969	299	33,268
Other long-term assets	1,639	-	1,639
Total identifiable assets acquired	49,976	-	49,976
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7,913	-	7,913
	7,913		7,913
Deferred tax liabilities	2,612	-	2,612
Total liabilities assumed	10,525	-	10,525
Net identifiable assets acquired	39,451	-	39,451
Goodwill[1]	2,612	-	2,612
Net assets acquired	42,063	-	42,063
Acquisition effected by way of:			
Cash consideration	29,500	-	29,500
Balance of payable for business combination[2]	12,563	-	12,563
	42,063	-	42,063

[1]Goodwill is not deductible for tax purposes
[2]Includes contingent cash payments for certain deferred payments on the net sales of IXINITY®, as well as regulatory and sales-based milestone payments.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

4 Accounts receivable

	2021 $	2020 $
Trade accounts receivable, less allowance for credit loss of $nil (2020 – $nil)	**18,395**	14,739
Sales tax receivable	**289**	139
Other receivables	**145**	79
	18,829	14,957

5 Inventories

	2021 $	2020 $
Raw materials	**1,802**	797
Work in progress	**2,412**	5,275
Finished goods	**10,453**	8,012
	14,667	14,084

(expressed in thousands of United States dollars, except per share amounts and number of shares)

6 Property and equipment

	Office furniture & Computer equipment $	Right-of-use lease assets $	Total $
For the year ended March 31, 2020			
Net book value at March 31, 2019	649	808	1,457
Additions	77	78	155
Depreciation	(126)	(349)	(475)
Currency translation adjustment	(25)	(13)	(38)
Net book value at March 31, 2020	575	524	1,099
As at March 31, 2020			
Cost	851	865	1,716
Accumulated depreciation	(276)	(341)	(617)
Net book value	575	524	1,099
For the year ended March 31, 2021			
Net book value at March 31, 2020	575	524	1,099
Additions	**118**	**-**	**118**
Depreciation	**(151)**	**(353)**	**(504)**
Currency translation adjustment	**54**	**28**	**82**
Net book value at March 31, 2021	**596**	**199**	**795**
As at March 31, 2021			
Cost	**957**	**908**	**1,865**
Accumulated depreciation	**(361)**	**(709)**	**(1,070)**
Net book value	**596**	**199**	**795**

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7 Intangible assets and goodwill

	Note	Intangible assets subject to amortization			
		Licences $	Software $	Total $	Goodwill $
For the year ended March 31, 2020					
Net book value at March 31, 2019		40,978	7	40,985	7,739
Additions		250	(1)	249	-
Additions from business combinations		33,268	-	33,268	2,612
Amortization		(3,449)	(2)	(3,451)	-
Impairment		(691)	-	(691)	-
Currency translation adjustment		(595)	-	(595)	(293)
Net book value at March 31, 2020		69,761	4	69,765	10,058
As at March 31, 2020					
Cost		75,093	33	75,126	10,058
Accumulated amortization		(5,332)	(29)	(5,361)	-
Net book value		69,761	4	69,765	10,058
For the year ended March 31, 2021					
Net book value at March 31, 2020					
As previously reported		69,462	4	69,466	10,058
Changes to comparative balance	2	299	-	299	-
As adjusted		69,761	4	69,765	10,058
Additions		**10,637**	**-**	**10,637**	**-**
Amortization		**(5,472)**	**(2)**	**(5,474)**	**-**
Currency translation adjustment		**1,434**	**-**	**1,434**	**595**
Net book value at March 31, 2021		**76,360**	**2**	**76,362**	**10,653**
As at March 31, 2021					
Cost		**87,291**	**5**	**87,296**	**10,653**
Accumulated amortization		**(10,931)**	**(3)**	**(10,934)**	**-**
Net book value		**76,360**	**2**	**76,362**	**10,653**

During the year ended March 31, 2021, the Company recorded additions of $10,637 to Licences, related to upfront payments and a milestone payable under product licence agreements.

Triamcinolone Hexacetonide

On December 18, 2020, the Company entered into an exclusive agreement with Ethypharm for the rights to register and commercialize Triamcinolone Hexacetonide Injectable Suspension 20 mg/mL ("TH") in the United States. TH is indicated for intra-articular, intrasynovial, or periarticular use in adults and adolescents for the symptomatic treatment of subacute and chronic inflammatory joint diseases.

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The Company paid a small upfront fee on signing, with further milestone payments at the time of approval by the U.S. Food and Drug Administration (“FDA”), at commercial product launch, and upon certain sales milestones. Medexus will also pay a double-digit royalty to Ethypharm on net sales of TH in the United States. Ethypharm is obligated to supply finished products to the Company under negotiated supply terms. The transaction has been accounted for as an asset purchase. This asset was not amortized during the year ended March 31, 2021.

Treosulfan United States Agreement

On February 2, 2021, the Company entered into an exclusive agreement with medac GmbH (“medac”) for the rights to commercialize Treosulfan in the United States. Treosulfan is an orphan-designated agent developed for use as part of a conditioning treatment for patients undergoing allogeneic hematopoietic stem cell transplantation.

The Company paid medac a non-refundable upfront payment of $5,000 on signing, and a $5,000 regulatory milestone payment in March 2021. The Company must also pay medac (i) up to an additional aggregate of $50,000 in non-refundable regulatory milestone payments, contingent upon the achievement of certain regulatory events in connection with the FDA’s review process, and (ii) up to an aggregate of $40,000 in non-refundable sales milestone payments, contingent upon Medexus Pharma’s achievement of certain net sales goals. In addition, the Company will pay medac a low single-digit royalty on its net sales of Treosulfan in the United States. Medac is obligated to supply finished products to the Company under negotiated supply terms. The transaction was accounted for as an asset purchase.

Goodwill

Management assesses goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate a potential impairment. The recoverable amount for goodwill is based on a fair value less costs of disposal method using a discounted cash flow model. Significant assumptions used in the discounted cash flow model included revenue growth rates and discount rate. No impairment was recognized as a result of the 2021 impairment assessment.

Sensitivity testing was conducted as a part of the March 31, 2021 annual impairment test, a component of which was hypothetical changes in the future weighted average cost of capital. Stress testing included a scenario of declines (10% - 15%) in annual cash flows with all other assumptions being held constant; under this scenario, we would be able to recover the carrying values of our goodwill for the foreseeable future.

Impairment of intangible asset

During the comparative period, the Company re-assessed its efforts to market some of its smaller non-RX products, including IronOne, and has recorded an impairment loss totaling $691, representing a portion of the carrying value of these assets. There was no impairment loss in the current period.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

8 Accounts payable and accrued liabilities

	2021 $	2020 $
Account payable - Trade	**14,855**	8,903
Accrued liabilities	**12,473**	13,134
	27,328	22,037

9 Long-term debt

As at	**Note**	**March 31, 2021 $**	**March 31, 2020 $**
Credit facility	(a)	**20,350**	20,000
Deferred debt transaction costs		**(596)**	(485)
Lease liabilities		**212**	558
Long-term debt		**19,966**	20,073
Current		**10,569**	10,191
Non-current		**9,397**	9,882
Long-term debt		**19,966**	20,073

(a) Credit facility

	Term Loan $	ABL $	Total $
As at March 31, 2021			
Outstanding	**10,000**	**10,350**	**20,350**
Remaining available	**N/A**	**6,115**	**6,115**
Total credit facility	**10,000**	**16,465**	**26,465**
As at March 31, 2020			
Outstanding	20,000	N/A	20,000
Remaining available	N/A	N/A	N/A
Total credit facility	20,000	N/A	20,000

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Term Loan

On February 28, 2020, concurrently with the acquisition of Aptevo, the Company entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Financial Trust in respect of a $20,000 secured term loan having a term of 40 months, expiring on July 17, 2023 (the "Term Loan").

Borrowings under the Term Loan bear interest at an annual rate of one-month London Interbank Offered Rate ("LIBOR"), plus 6.50%, subject to a LIBOR floor of 1.50%. Interest on the outstanding balance of the Term Loan is payable monthly in arrears. As at March 31, 2021, $10,000 of the Term Loan was outstanding with a weighted average interest rate of 8.00%.

Subsequent to March 31, 2021, on May 27, 2021, the Company entered into certain amendments, pursuant to which, an additional $5,000 is available to be drawn by the Company, contingent upon certain conditions being satisfied, including the Company's obligation to make a payment to medac pursuant to the treosulfan License Agreement.

The terms and conditions of the Term Loan include certain customary representations, warranties and covenants, including requirements to maintain a minimum net sales and a minimum earnings before interest, income taxes, depreciation and amortization ("EBITDA") – subject to certain agreed-upon adjustments. As at March 31, 2021, the Company was in compliance with these financial covenants and all of the terms and conditions of its long-term debt agreements.

Asset-Based Loan

On May 7, 2020, the Company entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Financial Trust in respect of a $20,000 secured asset-based revolving credit facility having a term of 38 months expiring June 30, 2023 (the "ABL Facility"). The ABL Facility features a $20,000 revolving commitment (subject to the borrowing base) and an uncommitted $10,000 accordion. An initial advance under the ABL Facility was used by the Company to repay $10,000 of the principal amount outstanding under the Term Loan; this was treated as a non-cash transaction by the Company. The ABL Facility is included in the current portion of long term debt.

Borrowings under the ABL Facility bear interest at an annual rate of one-month LIBOR plus 3.95%, subject to a LIBOR floor of 1.50%. Interest is payable monthly in arrears on the first business day of each month. The ABL Facility features a $20,000 revolving commitment (subject to the borrowing base) and an uncommitted $10,000 accordion. As at March 31, 2021, $16,465 was available to the Company under the ABL Facility, of which $10,350 was outstanding with a weighted average interest rate of 5.45%.

The terms and conditions of the ABL Facility include certain customary representations, warranties and covenants, including requirements to maintain a minimum net sales and a minimum earnings before interest, income taxes, depreciation and amortization ("EBITDA") – subject to certain agreed-upon adjustments. As at March 31, 2021, the Company was in compliance with these financial covenants and all of the terms and conditions of its long-term debt agreements.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Leases

Leases are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably expected renewals.

Anticipated future cash flow requirements to meet undiscounted long-term debt principal repayments, calculated upon such long-term debts owing as at March 31, 2021, are as follows:

Years ending March 31	Credit facility $	Leases $
2022	10,766	154
2023	5,000	58
2024	4,584	-
	20,350	212

10 Convertible debentures

As at	March 31, 2021 $	March 31, 2020 $
Convertible debentures issued in October 2018	**25,918**	19,851
Embedded derivative on convertible debentures	**23,726**	1,988
Deferred financing transaction costs	**(1,012)**	(1,127)
	48,632	20,712
Current	**-**	-
Non-current	**48,632**	20,712
	48,632	20,712

Convertible debentures issued in October 2018

The Convertible Debentures will mature on October 16, 2023, and debentures not previously converted by the holder will be repaid in full by the Company with a payment equal to 125% of the outstanding principal amount, together with all accrued and unpaid interest, with such repayment to be made in cash or, at the Company's option, in common shares of the Company. The Convertible Debentures bear interest at a rate of 6.0% per annum beginning October 16, 2018, payable semiannually in cash, or, at the Company's option and subject to the prior approval of the TSXV, in common shares of the Company.

The Convertible Debentures are convertible, at the holders option, into Conversion Units consisting of one common share and one half of one Offering Warrant per Conversion Unit.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The Convertible Debentures are a compound financial instrument under IAS 32 and have both a liability and an embedded derivative component. The derivative is measured at FVPTL, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss.

The derivative was valued using a convertible bond valuation model with the following key assumptions:

As at	March 31, 2021	March 31, 2020
Risk-free interest rate	**0.5%**	0.8%
Volatility*	**55.7%**	51.2%
Expected life	**2.5 yrs**	3.5 yrs

* Expected share price volatility was calculated using the Company's historical volatility.

The table below shows the immediate increase (decrease) that a 250 basis point change in the assumed volatility rate used in the valuation model would have on the embedded derivative balance. This changes in fair value recorded would result in an increase (decrease) to net loss and other comprehensive loss.

As at	March 31, 2021 $	March 31, 2020 $
250 basis point increase to the assumed volatility rate		
Increase to fair value of the embedded derivative	**837**	250
250 basis point decrease to the assumed volatility rate		
Decrease to fair value of the embedded derivative	**(849)**	(261)

Between January 26, 2021 and February 19, 2021, a total of $269 of the Convertible Debentures were converted at the holders' request into 72,062 Common Shares of the Company at a conversion price of C$6.30 per Common Share, and 36,030 Warrants with an exercise price of C$9.45, expiring October 16, 2023.

The following table indicates the changes to the Convertible Debentures during the year:

	Host $	Derivative $
Balance at March 31, 2019	18,151	11,315
Interest accretion	2,938	-
Unrealized gain on fair value	-	(9,246)
Currency translation adjustment	(1,238)	(81)
Balance at March 31, 2020	19,851	1,988
Interest accretion	**3,619**	**-**
Unrealized loss on fair value	**-**	**20,638**
Conversions	**(269)**	**(208)**
Currency translation adjustment	**2,717**	**1,308**
Balance at March 31, 2021	**25,918**	**23,726**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

11 Balance of payable for business combinations

	Note	Medac $	Aptevo $	Total $
For the year ended March 31, 2020				
Opening net book value		12,874	-	12,874
Additions from business combinations		-	12,563	12,563
Amounts paid		(143)	-	(143)
Interest accretion	16	1,679	64	1,743
Unrealized loss on change in fair value		1,241	-	1,241
Unrealized foreign exchange loss		1,078	-	1,078
Currency translation adjustment		(991)	-	(991)
Balance of payable at March 31, 2020		15,738	12,627	28,365
Current		307	796	1,103
Non-current		15,431	11,831	27,262
Balance of payable at March 31, 2020		15,738	12,627	28,365
For the year ended March 31, 2021				
Opening net book value		15,738	12,627	28,365
Interest accretion	16	**1,376**	**776**	**2,152**
Unrealized loss on change in fair value		**1,662**	**-**	**1,662**
Unrealized foreign exchange gain		**(1,977)**	**-**	**(1,977)**
Payment		**(350)**	**(603)**	**(953)**
Currency translation adjustment		**2,059**	**-**	**2,059**
Balance of payable at March 31, 2021		**18,508**	**12,800**	**31,308**
Current		**628**	**796**	**1,424**
Non-current		**17,880**	**12,004**	**29,884**
Balance of payable at March 31, 2021		**18,508**	**12,800**	**31,308**

Medac Pharma Inc.

As part of the acquisition of Medac Pharma Inc. on October 16, 2018, the Company is required to make annual payments in an amount equal to 7.5% of the aggregate consolidated EBITDA of the Company, subject to certain agreed-upon adjustments and until such time as an aggregate of $30,000 in annual payments have been made.

Aptevo BioTherapeutics LLC

As part of the acquisition of Aptevo on February 28, 2020, the Company is required to make certain deferred payments on net sales of IXINITY® in an amount equal to (i) 2% of net sales until the earlier of (x) the completion of an ongoing United States pediatric trial in respect of IXINITY®, and (y) June 30, 2022, and (ii) 5% of net sales thereafter until March 1, 2035. In addition, the Purchase Agreement requires the Company to make certain milestone payments upon IXINITY®'s receipt of Canadian and European regulatory approval in each of Germany,

(expressed in thousands of United States dollars, except per share amounts and number of shares)

France, Spain, Italy and the United Kingdom and upon IXINITY® achieving worldwide annual net sales of $120,000, if achieved by March 1, 2035.

12 Share capital

Authorized and issued

The Company is authorized to issue an unlimited number of common shares without par value.

Bought Deal Public Offering of Shares

On February 23, 2021 (the "Closing Date"), the Company announced that it had closed an agreement in which the Underwriters had agreed to purchase, on a "bought deal" basis, 4,581,689 units (the "Units") of the Company at a price of C$7.10 per Unit for aggregate gross proceeds to the Company of approximately C$32,530.

Each Unit consisted of one common share and one-half of one Common Share purchase warrant, totaling 2,290,844 warrants. Each warrant entitles the holder thereof to purchase one Common Share at a price equal to C$10.00 for a period of 24 months following the Closing Date. In connection with the bought deal, the Company issued 232,647 warrants to the Underwriters, with an exercise price equal to C$7.10 for a period of 24 months following the Closing Date.

13 Share-based compensation

Stock options

	2021		2020	
Years ended March 31	**Number of options**	**Weighted average exercise price C$**	**Number of options**	**Weighted average exercise price C$**
Outstanding, beginning of year	246,351	5.21	465,685	5.41
Granted	196,401	4.95	-	-
Forfeited	(18,077)	(5.90)	(219,334)	(5.63)
Outstanding, end of year	**424,675**	**5.06**	**246,351**	**5.21**
Exercisable, end of year	**250,056**	**5.08**	**215,851**	**5.30**

As at March 31, 2021, the options outstanding under the plan have a weighted average remaining life of approximately 6.9 years (2020 – 5.0 years).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Options outstanding as at March 31, 2021, are as follows:

Number of options	Exercise price C$
96,000	3.83
129,223	4.50
49,667	5.10
50,001	5.43
50,400	6.60
49,385	6.90

Restricted stock units (RSUs)

	2021		2020	
Years ended March 31	**Number of units**	**Weighted average exercise price C$**	**Number of units**	**Weighted average exercise price C$**
Outstanding, beginning of year	1,289,407	0.01	1,877,555	0.01
Granted	74,565	0.01	8,602	0.01
Exercised	(99,501)	(0.01)	(151,250)	(0.01)
Forfeited	(176,334)	(0.01)	(445,500)	(0.01)
Outstanding, end of year	**1,088,137**	**0.01**	**1,289,407**	**0.01**
Exercisable, end of year	**423,352**	**0.01**	**208,638**	**0.01**

Performance stock units (PSUs)

	2021		2020	
Years ended March 31	**Number of units**	**Weighted average exercise price C$**	**Number of units**	**Weighted average exercise price C$**
Outstanding, beginning of year	-	-	-	-
Granted	72,999	0.01	-	-
Outstanding, end of year	72,999	0.01	-	-
Exercisable, end of year	-	-	-	-

On December 18, 2018, the Company adopted the 2018 Omnibus Equity Incentive Compensation Plan (the Plan), which, in respect of options to purchase common shares, replaced the Company's former stock option plan.

The Plan provides that the Board of Directors may from time to time, in its discretion and in accordance with stock exchange requirements, grant to eligible participants non-transferable awards (Awards). Such Awards include stock options, restricted stock units (RSUs), deferred stock units (DSUs) and performance stock units (PSUs).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The maximum number of common shares issuable pursuant to all Awards issued under the Plan shall not exceed 20% of the outstanding common shares as of the date the Plan was approved by shareholders of the Company. To the extent an Award lapses or the rights of its participant terminate, any common shares subject to such Award shall again be available for the grant of an Award.

The maximum number of common shares for which Awards may be issued to any one participant in any 12-month period shall not exceed 5% of the outstanding common shares, or 2% in the case of a grant of Awards to any consultant or persons (in the aggregate) retained to provide Investor Relations Activities (as defined by the TSXV), calculated on the date an Award is granted to the participant, unless disinterested shareholder approval as required by the policies of the TSXV is obtained. The maximum number of RSUs, DSUs or PSUs which may be issued to any one participant in any 12-month period shall not exceed 1% of the outstanding shares, unless disinterested shareholder approval is obtained. The maximum number of RSUs, DSUs or PSUs which may be issued to all insiders in aggregate cannot exceed 2% of the outstanding common shares in any 12-month period, unless disinterested shareholder approval is obtained.

Furthermore, unless disinterested shareholder approval as required by the policies of the TSXV is obtained: (i) the maximum number of common shares for which Awards may be issued to insiders of the Company (as a group) at any point in time shall not exceed 10% of the outstanding common shares; and (ii) the aggregate number of Awards granted to insiders of the Company (as a group), within any 12-month period, shall not exceed 10% of the outstanding common shares, calculated at the date an Award is granted to any insider.

On December 12, 2018, at the Company's annual and special meeting, the shareholders of the Company approved the Plan and the Company received disinterested shareholder approval (i) to issue Awards to insiders of the Company which, in the aggregate, would exceed 10% of the issued and outstanding common shares as at December 12, 2018; (ii) for specific RSU grants which would exceed 1% of the issued and outstanding common shares to each of four participants; and (iii) for RSU grants to insiders which, in the aggregate, would exceed 2% of the issued and outstanding common shares of the Company.

During the fiscal years ending March 31, 2021 and 2020, the Company issued RSUs to certain directors, officers and employees of the Company and stock options (Options) to a director of the Company under the Plan. The RSUs will vest in equal amounts upon the first, second, third and fourth anniversaries of the effective issuance date, and the Options will vest upon issuance. The RSUs are exercisable for a nominal payment per share. Each vested RSU and Option entitles the holder to receive one common share of the Company by delivering an exercise notice in accordance with the Plan and the terms of the applicable award agreement. All options and RSUs granted become immediately exercisable in the event of any change of control of the Company.

During the year ended March 31, 2021, the Company issued PSUs to certain officers and employees of the Company under the 2018 Omnibus Equity Incentive Compensation Plan. The number of PSUs that vest is dependent on the time and the achievement of specific performance measures, which are assessed annually. The PSUs are exercisable for a nominal payment per share.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

In estimating the share-based compensation expense for options granted to directors, officers, employees and consultants, the Company uses the Black-Scholes option-pricing model. The assumptions used for options granted were as follows:

	2021	2020
Risk-free interest rate	0.6%-0.7%	-
Volatility*	54%-56%	-
Expected life	10 yrs	-
Expected dividend yield	NIL	-

* Expected share price volatility was calculated using the Company's historical volatility.

Share-based compensation expense with respect to these options, RSUs, and PSUs amounted to $1,465 (2020 – $1,658) for the year ended March 31, 2021. These costs are included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (note 15).

14 Warrants

	Number of warrants	Weighted average exercise price C$	Carrying value C$
Outstanding, March 31, 2019	3,100,630	8.84	5,064
Issued	134,290	4.00	202
Expired	(221,392)	4.95	(343)
Outstanding, March 31, 2020	3,013,528	8.91	4,923
Issued	**2,559,521**	**9.73**	**1,965**
Expired	**(490,196)**	**7.65**	**(640)**
Outstanding, March 31, 2021	**5,082,853**	**9.44**	**6,248**

Warrants outstanding as at March 31, 2021 expire as follows:

	Number of warrants	Price per warrant C$
October 2021	191,154	9.45
February 2023	232,647	7.10
February 2023	2,290,844	10.00
June 2023	134,290	4.00
October 2023	2,233,918	9.45

The Company uses the residual method in establishing the value of the warrants. The carrying value of the warrants is recorded in contributed surplus.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

15 Selling and administrative expenses

	2021 $	2020 $
Share-based compensation expense	**1,465**	1,658
Sales and marketing expense	**16,890**	18,167
Business development and regulatory affairs	**6,275**	3,962
General administrative	**11,542**	6,855
	36,172	30,642

16 Financing costs

	2021 $	2020 $
Interest on convertible debentures	**1,903**	1,895
Interest accretion on convertible debentures, net of amort. of deferred financing costs	**3,865**	3,036
Interest on long-term debt, net of amort. of deferred financing costs	**1,877**	149
Interest accretion on balance of payable for business combinations	**2,152**	1,743
Interest on lease liabilities	**22**	44
Interest expense	**9,819**	6,867
Business combinations payable – Unrealized loss on change in fair value	**1,662**	1,241
	11,481	8,108

17 Employee benefit expense

a) Employees other than the Company's key management personnel as described in (b)

	2021 $	2020 $
Salaries and benefits	**10,893**	10,054
Share-based compensation	**142**	106
	11,035	10,160

(expressed in thousands of United States dollars, except per share amounts and number of shares)

b) Key management personnel consist of the Company's Chief Executive Officer, Chief Financial Officer, Presidents of the US and Canadian entities, General Manager of the US entity, and Vice-Presidents.

	2021 $	2020 $
Key management compensation		
Salaries and benefits	**3,405**	2,699
Share-based compensation	**1,323**	1,552
	4,728	4,251

Key management compensation is included in selling and administrative expenses.

18 Related party transactions

All related party transactions, unless otherwise disclosed, occurred in the normal course of operations.

a) The Company pays warehouse fees to a company 50% owned by a member of the key management personnel of the Company. Warehouse fees paid totaled $226 (2020 – $259) for the year ended March 31, 2021.

b) Royalties paid on an exclusive licensing agreement with a significant shareholder of the Company totaled $345 (2020 – $376) for the year ended March 31, 2021. See note 19 for details of this agreement.

c) Interest on convertible debentures which are owned or controlled, directly and indirectly, by two directors of the Company totaled $278 (2020 – $276) for the year ended March 31, 2021.

19 Global exclusive licencing agreement

On September 19, 2016, the Company signed an exclusive licensing agreement (the licensing agreement) with 9346-4626 Québec Inc., a significant shareholder of the Company, for the drug Relaxa (the product). 9346-4626 Québec Inc. is owned by Mr. Gerard Leduc (the licensor), a globally known pharmaceutical executive.

Under the terms of the licensing agreement, the Company has the exclusive right to manufacture, promote, market, sell and distribute the product globally. In return, the Company will pay the licensor royalties based on annual net sales of the product. Pursuant to the terms of the licensing agreement, the Company has the right to acquire the product at any time until the seventh anniversary of the effective date of the licensing agreement. The aggregate price payable for the product during such term shall be C$5,000 plus a 2% royalty on the annual net sales of the product up to a maximum of C$1,500 (the option exercise price). Moreover, for the term commencing on the fifth anniversary of the effective date of the licensing agreement and ending on the seventh anniversary of the effective date of the licensing agreement, the licensor will have the option to sell the product to the Company for the same option exercise price.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

20 Consolidated statements of cash flows

Changes in non-cash operating working capital items are as follows:

	2021 $	2020 $
Decrease (increase) in		
Accounts receivable	**(3,505)**	(7,734)
Inventories	**(9)**	1,063
Prepaids	**(578)**	128
Other current assets	**(731)**	-
Other long-term assets	**380**	-
Increase in		
Accounts payable and accrued liabilities	**4,625**	4,954
	182	(1,589)

21 Geographic information

The geographic segmentation of the Company's non-current assets is as follows:

As at	March 31, 2021 $	March 31, 2020* $
United States	**71,854**	66,230
Canada	**18,088**	16,811

*Prior year amount has been adjusted to the current period presentation.

The geographic segmentation of the Company's sales based on customer location is as follows:

	2021 $	2020 $
United States	**60,367**	35,057
Canada	**19,293**	20,449

(expressed in thousands of United States dollars, except per share amounts and number of shares)

22 Income taxes

Income tax expense includes the following components:

	2021 $	2020 $
Current		
United States	**708**	685
Deferred		
United States	**(1,788)**	(1,372)
Canada	**(2,157)**	(157)
	(3,945)	(1,529)
Total income tax recovery	**(3,237)**	(844)

A reconciliation of income taxes at the Canadian statutory rate with reported income taxes is as follows:

	2021 $	2020 $
Statutory federal and provincial tax	**(8,315)**	(743)
Increase (decrease) in taxes recoverable resulting from:		
Impact of rate differential of foreign jurisdiction	**153**	(322)
Effect of change in unrecognized deferred tax asset	**5,650**	190
Non-deductible share-based compensation	**387**	394
Non-deductible expense for tax purposes	**23**	27
Impact of non-deductible/non-taxable foreign exchange	**(529)**	-
Other differences	**(606)**	(390)
	(3,237)	(844)

The Canadian combined statutory rate as at March 31, 2021 was 26.5% (2020 – 26.6%).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The Company has accumulated non-capital losses in Canada which can be carried forward to reduce future taxable income and which expire as follows:

	Total $
2028	417
2029	557
2030	1,589
2031	1,384
2032	1,687
2033	674
2034	952
2035	3,868
2036	2,592
2037	2,386
2038	2,692
2039	2,629
2040	4,383
2041	3,615
	29,425

The future benefit of these losses has not been recognized in the accounts.

Significant components of the Company's deferred tax liabilities are property and equipment and intangible assets in the amount of $2,645 (2020 – $6,481).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

23 Financial instruments

Fair value estimation

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices); and

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

The Company estimated the fair value of its financial instruments as described below.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are considered to be equal to their respective carrying values due to their short-term maturities.

As at March 31, 2021 and 2020, other financial instruments measured at fair value in the consolidated statements of financial position were as follows:

	2021		2020	
	Fair value hierarchy	Fair value $	Fair value hierarchy	Fair value $
Financial liabilities				
Convertible debentures – Derivative	Level 2	**23,726**	Level 2	1,988
Balance of payable for business combinations	Level 3	**31,308**	Level 3	28,365

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. Liquidity risk is managed by maintaining adequate reserves and banking facilities and by closely monitoring forecast and actual cash flows. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, long-term debt, convertible debentures and balance of payable for business combination.

The tables below categorize the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the consolidated statement of financial position dates to the contractual maturity dates.

2021	**1 year or less $**	**Between 1 & 5 years $**	**Over 5 years $**	**Total $**
Accounts payable and accrued liabilities	**27,328**	**-**	**-**	**27,328**
Long-term debt	**10,569**	**9,397**	**-**	**19,966**
Convertible debentures – Host	**-**	**24,906**	**-**	**24,906**
Convertible debentures – Derivative	**-**	**23,726**	**-**	**23,726**
Balance of payable for business combinations	**1,424**	**13,900**	**15,984**	**31,308**
	39,321	**71,929**	**15,984**	**127,234**

2020	**1 year or less $**	**Between 1 & 5 years $**	**Over 5 years $**	**Total $**
Accounts payable and accrued liabilities	22,037	-	-	22,037
Long-term debt	10,191	9,882	-	20,073
Convertible debentures – Host	-	18,724	-	18,724
Convertible debentures – Derivative	-	1,988	-	1,988
Balance of payable for business combinations	1,103	13,433	13,829	28,365
	33,332	44,027	13,829	91,188

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed mainly to credit risk on its cash and cash equivalents and accounts receivable. It offers credit to its customers in the normal course of its operations. The Company has set up a standby letter of credit in the amount of $494 with Bank of America. It continually assesses the credit risk of its customers and accounts for an allowance for doubtful accounts, if any. The credit risk on cash and cash equivalents is mitigated by the fact that they are held with major North American financial institutions.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed mainly to currency risk and interest rate risk. The exposures of the Company are monitored regularly by the Company's management.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates against the functional currency.

The Company operates in Canada and the United States and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in US$. The functional currency of the parent entity, and some subsidiaries, is C$ and is therefore exposed to foreign currency risk from financial instruments denominated in currencies other than C$. The Company has subsidiaries whose functional currency is US$ and is therefore exposed to foreign currency risk from financial instruments denominated in currencies other than US$.

The Company is exposed to foreign currency risk through the following financial assets and liabilities, expressed in US$:

	2021 **$**	**2020*** **$**
Cash and cash equivalents		
US dollar	**3,392**	57
Euro	-	63
Accounts payable and accrued liabilities		
US dollar	**(125)**	(458)
Euro	**(1,441)**	(763)
Balance of payable for business combinations		
US dollar	**(18,508)**	(15,738)

*Prior year amount has been adjusted to the current period presentation.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The table below shows the immediate increase (decrease) on net loss of a 10% strengthening in the closing exchange rate of significant currencies to which the Company has exposure as at March 31, 2021. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation. The Company has a policy to manage currency risk, but as at March 31, 2021, did not enter into arrangements to hedge its currency risk exposure.

	2021 **$**	**2020*** **$**
10% strengthening of the CA$:US$ exchange rate	**1,524**	1,614
10% strengthening of the CA$:EUR exchange rate	**144**	70

*Prior year amount has been adjusted to the current period presentation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Company to fair value risk, while floating rate instruments subject it to cash flow risk. The Company has performed a sensitivity analysis on interest rate risk as at March 31, 2021. A change in interest rates on borrowings of 1% higher or lower would not have a significant impact on loss and comprehensive loss for the year, due to the LIBOR floor the Company is subject to in the Term Loan, as discussed in note 9**.**

The Company is exposed to interest rate risk as follows:

Cash and cash equivalents	Floating rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 9
Convertible debentures	As described in note 10
Balance of payable for business combinations	As described in note 11

Capital risk management

The common shares are managed as the capital of the Company for all periods concerned. The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to minimize the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new common shares or units from time to time.

24 Additional financial information

Customer concentration

The Company has two customers which individually account for more than 10% of its revenues for the year ended March 31, 2021 (2020 – three customers); together, these two customers account for approximately 56% of the Company's revenue (2020 – 71%).