Medexus Pharmaceuticals Inc.

Consolidated Financial Statements
March 31, 2020 and 2019
(expressed in thousands of Canadian 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

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.

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

In connection with our audit of the 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; and
- 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[1]

Montréal, Quebec
June 22, 2020

[1] CPA auditor, CA, public accountancy permit No. A125677

Medexus Pharmaceuticals Inc.

Consolidated Statements of Financial Position

As at March 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Note	2020 $	2019 $ *Adjusted* *(Note 2)*
Assets			
Current assets			
Cash and cash equivalents		**7,424**	29,205
Accounts receivable	4	**21,219**	9,937
Inventories	5	**19,980**	5,658
Prepaids		**6,164**	2,011
Other current assets		**2,004**	-
		56,791	46,811
Property and equipment	6	**1,559**	867
Intangible assets	7	**98,546**	54,768
Goodwill	7	**14,269**	10,342
Other long-term assets		**3,006**	695
		174,171	113,483
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**31,263**	13,329
Interest payable		**211**	-
Income tax payable		**965**	632
Current portion of long-term debt	9	**14,458**	-
Balance of payable for business combination	11	**1,564**	183
		48,461	14,144
Long-term debt	9	**14,019**	-
Convertible debentures – Host	10	**26,564**	22,526
Convertible debentures – Derivative	10	**2,820**	15,120
Balance of payable for business combination	11	**38,677**	17,021
Deferred tax liabilities	22	**9,195**	7,253
		139,736	76,064
Shareholders' Equity			
Share capital	12	**59,828**	61,944
Contributed surplus		**9,402**	7,598
Cumulative translation adjustment		**4,972**	1,408
Deficit		**(39,767)**	(33,531)
		34,435	37,419
		174,171	113,483

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, 2020 and 2019

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

	Note	2020 $	2019 $ *Adjusted (Note 2)*
Revenue			
Products		**74,359**	33,864
Cost of sales			
Cost of sales of products		**27,988**	11,342
Amortization of product licences	7	**4,617**	2,314
		32,605	13,656
Gross profit		**41,754**	20,208
Selling and administrative expenses	15	**41,034**	20,850
Research and development expenses		**1,557**	-
Transaction-related fees and expenses	3	**2,810**	4,831
Termination benefits		**2,471**	-
Depreciation and amortization	6,7	**639**	64
Impairment of intangible assets	7	**919**	125
Operating loss		**(7,676)**	(5,662)
Financing costs (income)	16	**(1,512)**	141
Interest income		**(292)**	(216)
Foreign exchange loss		**1,485**	510
Loss before income taxes		**(7,357)**	(6,097)
Income tax expense (recovery)			
Current	22	**912**	632
Deferred	22	**(2,033)**	(410)
		(1,121)	222
Net loss		**(6,236)**	(6,319)
Other comprehensive income			
Foreign currency income on translation of foreign operations		**3,564**	1,408
Comprehensive loss		**(2,672)**	(4,911)
Net loss per share			
Basic		**(0.43)**	(0.64)
Diluted		**(0.39)**	(0.61)
Weighted average number of common shares outstanding		**14,360,282**	9,909,410

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, 2020 and 2019

(expressed in thousands of Canadian 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, 2018		5,827,666	25,347	4,903	-	(27,212)	3,038
Net loss		-	-	-	-	(6,319)	(6,319)
Other comprehensive income		-	-	-	1,408	-	1,408
Issuance of units for private placement		3,911,760	17,316	2,633	-	-	19,949
Issuance of units for business combinations		4,993,748	21,009	265	-	-	21,274
Issuance of brokers warrants	14	-	-	205	-	-	205
Transaction fees		-	(1,825)	(266)	-	-	(2,091)
Equity component of convertible debentures	10	-	-	(838)	-	-	(838)
Share-based compensation – Stock option plan	13	-	-	139	-	-	139
Share-based compensation – RSU plan	13	-	-	595	-	-	595
Issuance of shares for exercise of options		13,086	97	(38)	-	-	59
Balance – March 31, 2019		14,746,260	61,944	7,598	1,408	(33,531)	37,419
Balance – March 31, 2019 *Adjusted (Note 2)*		14,746,260	61,944	7,598	1,408	(33,531)	37,419
Net loss		**-**	**-**	**-**	**-**	**(6,236)**	**(6,236)**
Other comprehensive income		**-**	**-**	**-**	**3,564**	**-**	**3,564**
Treasury shares acquired and cancelled		**(919,000)**	**(3,738)**	**-**	**-**	**-**	**(3,738)**
Issuance of warrants	14			**202**			**202**
Share-based compensation – Stock option plan	13	**-**	**-**	**47**	**-**	**-**	**47**
Share-based compensation – RSU plan	13	**-**	**-**	**2,160**	**-**	**-**	**2,160**
Issuance of shares for settling of RSUs	13	**91,757**	**362**	**(605)**	**-**	**-**	**(243)**
Payment of interest on convertible debentures – settled in shares	10	**533,137**	**1,260**	**-**	**-**	**-**	**1,260**
Balance – March 31, 2020		**14,452,154**	**59,828**	**9,402**	**4,972**	**(39,767)**	**34,435**

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, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Note	2020 $	2019* $
Operating activities			
Net loss		**(6,236)**	(6,319)
Adjustments for			
Depreciation and amortization	6,7	**639**	64
Amortization of product licences	7	**4,617**	2,314
Impairment of intangible assets	7	**919**	125
Share-based compensation expense	13	**1,964**	733
Deferred income tax	22	**(2,033)**	(410)
Interest expense	16	**9,136**	3,878
Convertible debentures – Unrealized gain on fair value of derivatives	16	**(12,300)**	(3,737)
Balance of payable for business combination – Unrealized loss on change in fair value	16	**1,652**	-
Interest income		**(292)**	(216)
Unrealized foreign exchange loss		**1,431**	533
Income tax expense		**912**	632
		409	(2,403)
Changes in non-cash operating working capital items	20	**(2,115)**	1,463
Income taxes paid	22	**(595)**	-
Cash used by operating activities		**(2,301)**	**(940)**
Investing activities			
Interest received		**292**	216
Purchase of property and equipment		**(103)**	(43)
Purchase of intangible assets		**(1,091)**	(530)
Business acquisitions	3	**(39,617)**	(22,546)
Cash used by investing activities		**(40,519)**	(22,903)
Financing activities			
Interest paid		**(1,423)**	(1,865)
Treasury shares acquired and cancelled		**(3,738)**	-
Proceeds from issuance of shares		**-**	20,009
Proceeds from convertible debentures		**-**	42,000
Financing fees		**(486)**	(3,841)
Issuance of long-term debt		**26,800**	-
Repayment of long-term debt		**-**	(6,930)
Repayment of lease liabilities		**(445)**	-
Cash provided by financing activities		**20,708**	**49,373**
Net change in cash and cash equivalents during the year		**(22,112)**	25,530
Impact of foreign exchange on cash and cash equivalents		**331**	66
Cash and cash equivalents – Beginning of year		**29,205**	3,609
Cash and cash equivalents – End of year		**7,424**	29,205

*See note 2 for details regarding the adjustments due to changes in accounting policy.

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

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

1 Incorporation and nature of activities

Medexus Pharmaceuticals Inc. (the "Company") is a specialty 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 1 Place du Commerce, Suite 225, Verdun, Quebec, H3E 1A2. 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 22, 2020.

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 Canadian dollars, which is the functional currency of the Company. The Company has American subsidiaries that have the United States dollar as its functional currency. As the Company has operations in the United States, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its operations in the United States to Canadian dollars.

The Company has consistently applied the same accounting policies throughout all periods presented in these consolidated financial statements except for the newly adopted standards and the changes to the classification of cash flows.

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, 2020, MI Acquisitions, Inc., Medac Pharma, Inc., Medexus Inc., Pediapharm Licensing Inc., and Aptevo BioTheraputics LLC, are the only wholly owned direct and indirect subsidiaries of the Company. Pediapharm Licensing Inc. does not carry on active business, and was dissolved subsequent to March 31, 2020. MI Acquisitions, Inc. was created solely for the purpose of acquiring Medac Pharma, Inc. and does not carry on active business other than the ownership of 100% of the outstanding shares of Medac Pharma, Inc.

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

Accounting standards and interpretations issued and their effects

IFRS 16, *Leases*

In January 2016, the IASB released IFRS 16. The new standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model for the lessee under which a lease liability and a right-of-use asset is recognized for all leases with a term of more than 12 months. IFRS 16 also substantially carries forward the lessor accounting requirements; accordingly, a lessor continues to classify its leases as operating leases or finance leases. IFRS 16 supersedes IAS 17, *Leases*, and related interpretations. IFRS 16 is effective for annual periods beginning on January 1, 2019.

The Company has adopted IFRS 16 on a modified retrospective basis whereby the adjustments have been recorded on April 1, 2019, without adjustments to prior periods. The Company elected to measure the right of use asset at an amount equal to the lease liability on transition date. Starting from that date, rent expense has been substituted by depreciation of the right-of-use asset and interest expense on the lease liabilities, and principal payments on the lease liability have been presented as financing cash outflows.

IFRS 16 has the following impact on the fiscal 2020 opening amounts:

As at April 1, 2019	As previously reported $	IFRS 16 effects $	As reported under IFRS 16 $
Non-current assets			
Property and equipment	867	1,080	1,947
Current liabilities			
Current portion of long-term debt	-	397	397
Non-current liabilities			
Long term debt	-	683	683

The weighted average incremental borrowing rates applied to lease liabilities recognized in the consolidated statement of financial position at the date of initial application was 6.0%. Principal payments on the lease liabilities totaled $445 for the year ended March 31, 2020. Interest payments on the lease liabilities totaled $59 for the year ended March 31, 2020.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at April 1, 2019, as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of low dollar value; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policies effective April 1, 2019:

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.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12, *Income Taxes*, are applied where there is uncertainty over income tax treatments. The new standard is effective for annual periods beginning on or after January 1, 2019. The adoption of this accounting interpretation did not have any impact on the consolidated financial statements.

IFRS 3, *Business Combinations*

In October 2018, the IASB amended IFRS 3, seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. The amendments are effective for acquisition transactions for annual periods beginning on or after January 1, 2020, although earlier application was permitted. The Company has applied the standard prospectively from April 1, 2019. The effects of the amended standard on its financial performance and disclosure and have not been material in the current fiscal year.

Changes in accounting policies

IAS 7, *Statement of Cash Flows*

IAS 7 prescribes that interest paid and interest received are to be classified as operating cash flows (the Company's previous classification), or alternatively, interest paid and interest received may be classified as financing cash flows and investing cash flows, respectively. The Company has concluded that classifying interest paid and interest received as financing cash flows and investing cash flows, respectively, is more aligned with the operations of the business as they reflect the cost of obtaining financial resources or returns on investment.

This voluntary change in accounting policy was applied retrospectively. Changes to the comparative amounts in the Company's consolidated statements of cash flows are as follows:

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

	As previously reported $	Adjustment $	Final amount $
Year-ended March 31, 2019			
Cash provided (used) by operating activities	(2,590)	1,650	(940)
Cash provided (used) by investing activities	(23,119)	216	(22,903)
Cash provided (used) by financing activities	51,239	(1,866)	49,373

New standards not yet adopted by the Company

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

In September 2019, 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 come into effect for annual periods beginning on or after January 1, 2020. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Changes to comparative balance

On October 16, 2018, the Company acquired Medac Pharma Inc. and Medexus Inc. At the time of issuing its March 31, 2019 consolidated financial statements, the Company had not finalized its valuation of individual assets and liabilities acquired of Medac Pharma Inc. and Medexus Inc. As a consequence, there were some changes between the final and disclosed purchase price allocation. The following table shows the adjustments recognized for each line item impacted by the change.

Consolidated Statements of Financial Position

As at March 31, 2019	As previously reported $	Adjustment $	Final amount $
Assets			
Intangible assets	55,796	(1,028)	54,768
Goodwill	9,336	1,006	10,342
Liabilities			
Deferred tax liabilities	7,478	(225)	7,253
Shareholders' Equity			
Deficit	(33,734)	203	(33,531)

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

Consolidated Statements of Loss and Comprehensive Loss

For the year ended March 31, 2019	As previously reported $	Adjustment $	Final amount $
Cost of sales			
Amortization of product licences	2,517	(203)	2,314
Net loss	(6,522)	203	(6,319)
Net loss per share			
Basic	(0.65)	0.02	(0.64)
Diluted	(0.66)	0.02	(0.61)

Global pandemic

In early 2020, the coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic. In response to the COVID-19 pandemic, governments enacted emergency measures to combat the spread of COVID-19, including the implementation of travel bans, quarantine periods and social distancing.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its consolidated financial statements, including with respect to the determination of whether indicators of impairment exist for its property and equipment and intangible assets and the credit risk of its counterparties.

Although the Company has determined that no significant revisions to such estimates, judgments or assumptions were required for fiscal 2020, revisions may be required in future periods. Any such revision (due to COVID-19 or otherwise) could have a material impact on the Company's results of operations and financial condition.

While the Company believes that the current conditions related to the COVID-19 pandemic to be temporary based on the information available to the Company as of the date hereof, the situation is dynamic and it is not possible to predict the duration and severity of the economic disruption, government restrictions and stimulus, social distancing and phased re-opening of economies. The broader impact that the COVID-19 outbreak may have on investors, businesses, the economy and the financial markets is currently unknown as it continues to rapidly evolve. As a result, the impact of COVID-19 on the Company's results of operations and financial condition cannot be reasonably estimated at this time. The Company continues to evaluate the situation and monitor any impacts or potential impacts to its business.

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 and warrants

When the Company issues stock options, RSUs 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 granted by Health Canada 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 Canadian 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. To estimate the fair value of the derivative, a derivative valuation model was used. Several key assumptions affect the results of this calculation, including estimated share price volatility, as discussed in note 10.

e) Returns provision

The returns provision is calculated using management's best estimate of products that will ultimately be returned by customers. The estimation of the returns provision is based on historical experience with returned products and is deducted from revenue.

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.

Foreign currency translation

a) Foreign operations

Assets and liabilities of subsidiaries that have a functional currency other than the Canadian dollar are translated from their functional currency to Canadian dollars at exchange rates in effect at the reporting date. Revenue and expenses are translated at the average exchange rates. The resulting translation adjustments are included in other comprehensive income.

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

b) 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.

Revenue recognition

Sale of products

The Company sells pharmaceutical products.

The Company recognizes revenue 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.

The Company may provide discounts and rebates 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 and rebates provided to customers using contracted rates. Consequently, revenues are recognized net of reserves for estimated sales discounts and rebates.

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.

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

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 exists.

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 trademarks and 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
Trademarks	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.

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 expired or 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) or through other comprehensive income (loss) (FVTOCI), 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 that may be considered as having low credit risk.

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. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method.

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 there are indications that goodwill may be impaired. 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.

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, net of any reimbursement.

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

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.

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.

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 and RSUs 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); accordingly, the expense is recognized using the accelerated expense attribution method over the vesting period. The vesting of an award is not contingent on the attainment of performance conditions. 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 issue 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 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 stock options. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon the exercise of options in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the year. The Company has two categories of dilutive potential common shares: share-based compensation options and warrants. For the year ended March 31, 2020, 3,229,379 share-based compensation options and warrants (2019 – 3.566,315) have been excluded from the diluted earnings per share calculation, since their inclusion would have had an anti-dilutive effect.

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 Canadian dollars, except per share amounts and number of shares)

3 Business combinations

Medac Pharma Inc.

On October 16, 2018, the Company acquired Medac Pharma Inc., a privately held specialty pharmaceutical company focusing primarily in the area of rheumatology in the United States. As at March 31, 2019, the purchase price allocation had not been finalized.

During the year ended March 31, 2020, preliminary acquisition-date values assigned for intangible assets, goodwill and deferred tax liabilities were finalized as discussed in note 2; as required by IFRS and the IASB, comparative amounts have been adjusted so as to reflect those changes effective the acquisition date.

Assets	**As previously reported $**	**Adjustment $**	**Final amount $**
Current assets			
Cash and cash equivalents	749	-	749
Accounts receivable	9,569	-	9,569
Prepaid expenses	2,493	-	2,493
Inventories	2,142	-	2,142
	14,953	-	14,953
Property and equipment	322	-	322
Security and escrow deposits	673	-	673
Intangible assets	35,298	569	35,867
Total identifiable assets acquired	51,246	569	51,815
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9,819	-	9,819
Deferred tax liabilities	3,944	252	4,196
Total liabilities assumed	13,763	252	14,015
Net identifiable assets acquired	37,483	317	37,800
Goodwill[1]	3,944	(317)	3,627
Net assets acquired	41,427	-	41,427
Acquisition effected by way of:			
Cash consideration	23,078	-	23,078
Equity consideration	2,178	-	2,178
Balance of payable for business combination[2]	16,171	-	16,171
	41,427	-	41,427

[1]Goodwill is not deductible for tax purposes.

[2]Includes a contingent cash payment of US$5 million and annual payments in an amount equal to 7.5% of the aggregate consolidated EBITDA of the Company until such time as an aggregate of US$30 million is reached.

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

Medexus Inc.

On October 16, 2018, the Company completed the acquisition Medexus Inc., a Canadian pharmaceutical company with partnerships in international markets. As at March 31, 2019, the purchase price allocation had not been finalized.

During the year ended March 31, 2020, preliminary acquisition-date values assigned for intangible assets, goodwill and deferred tax liabilities were finalized as discussed in note 2; as required by IFRS and the IASB, comparative amounts have been adjusted so as to reflect those changes effective the acquisition date.

Assets	**As previously reported** $	**Adjustment** $	**Final balance** $
Current assets			
Accounts receivable	865	-	865
Prepaid expenses	31	-	31
Inventories	1,152	-	1,152
	2,048	-	2,048
Property and equipment	534	-	534
Intangible assets	18,200	(1,800)	16,400
Total identifiable assets acquired	20,782	(1,800)	18,982
Liabilities			
Current liabilities			
Bank overdraft	217	-	217
Accounts payable and accrued liabilities	1,488	-	1,488
Assumed debt	1,429	-	1,429
	3,134	-	3,134
Deferred tax liabilities	3,815	(477)	3,338
Total liabilities assumed	6,949	(477)	6,472
Net identifiable assets acquired	13,833	(1,323)	12,510
Goodwill[1]	5,263	1,323	6,586
Net assets acquired	19,096	-	19,096
Acquisition effected by way of:			
Equity consideration	19,096	-	19,096
	19,096	-	19,096

[1]Goodwill is not deductible for tax purposes.

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

Aptevo BioTheraputics LLC

On February 28, 2020, the Company acquired, through a United States subsidiary (Medac Pharma, Inc. (“Medexus US”)), all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics LLC, (“Aptevo”) a Delaware limited liability company, from Aptevo Therapeutics, Inc. for upfront cash consideration of approximately US$30,000, funded by the Company’s cash on hand and a new term loan credit facility (note 9). The US$30,000 is inclusive of approximately US$9,000 of working capital acquired and US$500 in prepaid transition-related services. The Company acquired Aptevo as part of its ongoing effort to gain scale and enter a new therapeutic area. Aptevo owns the worldwide rights to the commercial hematology asset, IXINITY®. Cash consideration of US$30,000 was paid on closing, which was funded by the Company’s cash on hand and a new term loan credit facility (note 9).

In addition to the approximately US$30,000 up-front cash consideration paid on closing, Medexus US is also 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. Medexus US is also required to make certain milestone payments upon IXINITY®’s receipt of Canadian and European regulatory approval in each of Germany, France, Spain, Italy and the United Kingdom and upon IXINITY® achieving worldwide annual net sales of US$120 million, if achieved by March 1, 2035.

Due to the timing of the acquisition and the complexity associated with the valuation process, the Company has not yet finalized its allocation of goodwill to intangible assets, or calculation of deferred taxes. Management will finalize the accounting for the acquisition no later than one year from the acquisition date and, as required under IFRS 3, will reflect these adjustments retrospectively. The final purchase price allocation may include (a) changes in fair value of intangible assets; (b) changes in deferred tax liability recognized; and (c) the resulting changes to the amount recognized as goodwill. Such adjustments could be material.

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

	Feb 28, 2020
Assets	**$**
Current assets	
Prepaid expenses	3,992
Inventories	14,829
Other current assets	1,818
	20,639
Intangible assets	44,273
Other long term assets	2,201
Total identifiable assets acquired	67,113
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	10,628
	10,628
Deferred tax liabilities	3,508
Total liabilities assumed	14,136
Net identifiable assets acquired	52,977
Goodwill[1]	3,508
Net assets acquired	56,485
Acquisition effected by way of:	
Cash consideration	39,616
Balance of payable for business combination	16,869
	56,485

[1]Goodwill is not deductible for tax purposes

4 Accounts receivable

	2020 $	2019 $
Trade accounts receivable, less allowance for credit loss of $nil (2019 - $30)	**20,910**	9,757
Sales tax receivable	**197**	134
Other receivables	**112**	46
	21,219	9,937

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

5 Inventories

	2020 $	2019 $
Raw materials	**1,130**	603
Work in progress	**7,494**	-
Finished goods	**11,356**	5,055
	19,980	5,658

6 Property and equipment

	Note	Office furniture & Computer equipment $	Right-of-use lease assets $	Total $
For the year ended March 31, 2019				
Opening net book value		20	-	20
Additions		44	-	44
Additions from business combinations	**3**	855	-	855
Depreciation		(63)	-	(63)
Currency translation adjustment		11	-	11
Net book value at March 31, 2019		867	-	867
As at March 31, 2019				
Cost		1,083	-	1,083
Accumulated depreciation		(216)	-	(216)
Net book value		867	-	867
For the year ended March 31, 2020				
Opening net book value				
As previously reported - March 31, 2019	**2**	867	-	867
IFRS 16, *Leases* transitional amount		-	1,080	
As adjusted		867	1,080	1,947
Additions		**103**	**104**	**207**
Depreciation		**(169)**	**(467)**	**(636)**
Currency translation adjustment		**14**	**27**	**41**
Net book value at March 31, 2020		**815**	**744**	**1,559**
As at March 31, 2020				
Cost		**1,207**	**1,228**	**2,435**
Accumulated depreciation		**(392)**	**(484)**	**(876)**
Net book value		**815**	**744**	**1,559**

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

7 Intangible assets and goodwill

	Note	Intangible assets subject to amortization			
		Licences $	**Software $**	**Total $**	**Goodwill $**
For the year ended March 31, 2019					
Opening net book value		2,599	3	2,602	-
Additions		1,280	8	1,288	-
Additions from business combinations	**3**	52,267	-	52,267	9,207
Amortization		(2,314)	(1)	(2,315)	-
Impairment		(125)	-	(125)	-
Currency translation adjustment		1,051	-	1,051	129
Net book value at March 31, 2019		54,758	10	54,768	9,336
As at March 31, 2019					
Cost		57,418	45	57,463	9,336
Accumulated amortization		(2,660)	(35)	(2,695)	-
Net book value		54,758	10	54,768	9,336
For the year ended March 31, 2020					
Opening net book value					
As previously reported - March 31, 2019		55,786	10	55,796	9,336
Changes to comparative balance	**2**	(1,028)	**-**	(1,028)	1,006
As adjusted		54,758	10	54,768	10,342
Additions (dispositions)		**332**	**(2)**	**330**	**-**
Additions from business combinations		**44,273**	**-**	**44,273**	**3,508**
Amortization		**(4,617)**	**(3)**	**(4,620)**	**-**
Impairment		**(919)**	**-**	**(919)**	**-**
Currency translation adjustment		**4,714**	**-**	**4,714**	**419**
Net book value at March 31, 2020		**98,541**	**5**	**98,546**	**14,269**
As at March 31, 2020					
Cost		**106,105**	**47**	**106,152**	**14,269**
Accumulated amortization		**(7,564)**	**(42)**	**(7,606)**	**-**
Net book value		**98,541**	**5**	**98,546**	**14,269**

Impairment of intangible asset

The Company has re-assessed its efforts to market some of its smaller non-RX products, including IronOne, and has recorded an impairment loss in the amount of $919, representing a portion of carrying value of these assets.

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

8 Accounts payable and accrued liabilities

	2020 $	2019 $
Account payable - Trade	**12,630**	4,011
Accrued liabilities	**18,633**	9,501
	31,263	13,512

9 Long-term debt

	2020 $	2019 $
Credit facility	**28,374**	-
Deferred debt transaction costs	**(688)**	-
Lease liabilities	**791**	-
Long-term debt	**28,477**	-
Current	**14,458**	-
Non-current	**14,019**	-
Long-term debt	**28,477**	-

Credit facility

On February 28, 2020, concurrently with the acquisition of Aptevo, the Company announced that it entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Financial Trust in respect of a US$20,000 secured term loan having a term of 40 months, expiring on July 17, 2023 (the “Term Loan”). The Company and its active subsidiaries, including Aptevo, are the borrowers under the Term Loan. The Term Loan is secured by a first-priority security interest in all existing and after-acquired assets of the Company and each other borrower. 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. The Term Loan was used by the Company to fund a portion of the purchase price of the acquisition of Aptevo and to pay transaction fees in connection therewith. As at March 31, 2020, the full principal amount of the Term Loan of US$20,000 was outstanding with a weighted average interest rate of 8.00%.

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, 2020, 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 Canadian dollars, except per share amounts and number of shares)

Leases

See note 2 for details of significant changes due to IFRS 16, which have been applied effective April 1, 2019. 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 principle repayments, calculated upon such long-term debts owing as at March 31, 2020, are as follows:

Years ending March 31	Credit facility $	Leases $
2021	14,187	557
2022	591	207
2023	7,094	75
2024	6,502	-
	28,374	839

10 Convertible debentures

	2020 $	2019 $
Convertible debentures issued in October 2018	**28,163**	24,255
Embedded derivative on convertible debentures	**2,820**	15,120
Deferred financing transaction costs	**(1,599)**	(1,729)
	29,384	37,646
Current	**-**	-
Non-current	**29,384**	37,646
	29,384	37,646

Convertible debentures issued in March 2015

On December 12, 2018, the Company announced that it had repaid in full its outstanding secured convertible debentures issued in 2015 (2015 Debentures) for a total payment of $5,744, representing the principal amount and accrued interest thereon, plus the required 2% early repayment fee.

Convertible debentures issued in October 2018

On October 11, 2018, the Company completed a private placement offering of Subscription Receipts (as defined below) for aggregate gross proceeds of $61,950 (the “Offering”).

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

The Offering consisted of the issuance of a combination of (i) subscription receipts ("Unit Subscription Receipts") convertible into units ("Units"), at a price of $0.42 per Unit Subscription Receipt; and (ii) subscription receipts ("Debenture Subscription Receipts") (together, the "Subscription Receipts"), convertible into debentures ("Convertible Debentures") at a price of $1 per Debenture Subscription Receipt. Each Unit comprised one pre-consolidation common share (0.0667 post-consolidation common share) and one half of one pre-consolidation common share purchase warrant (0.0333 post-consolidation common share purchase warrant) (each whole common share purchase warrant, an Offering Warrant), with each whole pre-consolidation Offering Warrant being exercisable into one pre-consolidation common share for a period of five years at an exercise price of $0.63 per share. Following the Share Consolidation, one post-consolidation Offering Warrant entitles the holder to purchase one post-consolidation common share at an exercise price of $9.45 per share. The Convertible Debentures are convertible into units ("Conversion Units") consisting of one pre-consolidation common share (0.0667 post-consolidation common share) and one half of one pre-consolidation Offering Warrant (0.0333 post-consolidation Offering Warrant) at a price of $0.42 per pre-consolidation Conversion Unit ($6.30 per post-consolidation Conversion Unit). Pursuant to the Offering, the Company issued 58,676,397 Unit Subscription Receipts for aggregate gross subscription proceeds of $19,950, and 42,000 Debenture Subscription Receipts for aggregate gross subscription proceeds of $42,000.

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 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. As at March 31, 2020, the fair value of the derivative component was determined to be $2,820 and the unrealized gain was included in financing costs (note 16).

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

	2020	**2019**
Risk-free interest rate	0.8%	1.7%
Volatility*	51.2%	55.0%
Expected life	3.5 yrs	4.5 yrs

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

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

11 Balance of payable for business combination

	Note	Medac $	Aptevo $	Total $
For the year ended March 31, 2019				
Opening net book value		-	-	-
Additions from business combinations		16,171	-	16,171
Interest accretion	16	503	-	503
Unrealized foreign exchange loss		530	-	530
Balance of payable at March 31, 2019		17,204	-	17,204
Current		183	-	183
Non-Current		17,021	-	17,021
Balance of payable at March 31, 2019		17,204	-	17,204
For the year ended March 31, 2020				
Opening net book value		17,204	-	17,204
Additions from business combinations		**-**	**16,869**	**16,869**
Amounts paid		**(190)**	**-**	**(190)**
Interest accretion	16	**2,234**	**84**	**2,318**
Unrealized loss on change in fair value	16	**1,652**	**-**	**1,652**
Unrealized foreign exchange loss		**1,434**	**-**	**1,434**
Currency translation adjustment		**-**	**954**	**954**
Balance of payable at March 31, 2020		**22,334**	**17,907**	**40,241**
Current		**435**	**1,129**	**1,564**
Non-Current		**21,899**	**16,778**	**38,677**
Balance of payable at March 31, 2020		**22,334**	**17,907**	**40,241**

Medac Pharma Inc.

As part of the acquisition of Medac Pharma Inc. on October 16, 2018, there are contingent cash payables of US$5,000 and 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 US$30,000 in annual payments have been made.

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

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

12 Share capital

Authorized and issued

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

Normal course issuer bid

On May 14, 2019, the Company received approval from the TSXV to implement a normal course issuer bid (the "NCIB"), under which the Company may purchase for cancellation up to 1,005,333 common shares, at market prices, through the facilities of the TSXV, or by other means as may be permitted by the TSXV. The NCIB commenced on May 16, 2019, and terminated on February 28, 2020, upon entering the credit facility discussed in note 9.

Under the NCIB, the Company purchased and canceled 919,000 common shares in the market for consideration of approximately $3,738 during the year ended March 31, 2020.

13 Share-based compensation

Stock options

	2020		2019	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, beginning of year	465,685	5.41	529,347	5.40
Granted	-	-	3,333	4.50
Exercised	-	-	(13,083)	4.50
Forfeited and expired	(219,334)	5.63	(53,912)	5.10
Outstanding, end of year	**246,351**	**5.21**	465,685	5.41
Exercisable, end of year	**215,851**	**5.30**	361,435	5.64

As at March 31, 2020, the options outstanding under the plan have a weighted average remaining life of approximately 5.0 years (2019 – 5.5 years).

Options outstanding as at March 31, 2020, are as follows:

Number of options	Exercise price $
135,222	4.50
51,667	5.10
59,462	6.90

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

Restricted stock units (RSUs)

	2020		2019	
	Number of units	Weighted average exercise price $	Number of units	Weighted average exercise price $
Outstanding, beginning of year	1,877,555	0.01	-	-
Granted	8,602	0.01	1,877,555	0.01
Exercised	(151,251)	0.01	-	-
Forfeited and expired	(445,500)	0.01	-	-
Outstanding, end of year	**1,289,407**	**0.01**	1,877,555	0.01
Exercisable, end of year	**208,638**	**0.01**	-	-

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 share units (RSUs), deferred share units (DSUs) and performance share units (PSUs).

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.

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

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, 2020 and 2019, 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.

The Company completed the Share Consolidation (note 1) on December 19, 2018 and, as a result, all comparative stock option and share award disclosures have been retrospectively adjusted to reflect the Share Consolidation.

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:

	2020	2019
Risk-free interest rate	-	2.0%
Volatility*	-	63.9%
Expected life	-	1 yr
Expected dividend yield	-	NIL
Expected forfeiture rate	-	NIL
Fair value per warrant granted	-	$1.16

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

Share-based compensation expense with respect to these options and RSUs amounted to $2,207 (2019 – $734) for the year ended March 31, 2020. These costs are included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (note 15).

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

14 Warrants

	Number of warrants	Weighted average exercise price $	Fair value $
Outstanding, April 1, 2018	712,396	6.75	1,122
Issued	2,389,042	9.45	3,943
Expired	(808)	4.95	(1)
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**

Warrants outstanding as at March 31, 2020, expire as follows:

	Number of warrants	Price per warrant $
May 2020	490,196	7.65
October 2021	191,154	9.45
August 2023	134,290	4.00
October 2023	2,197,888	9.45

The Company uses the Black-Sholes option pricing model to estimate the value of the warrants. The assumptions used for warrants granted were as follows:

	2020	2019
Risk-free interest rate	1.21%	2.32%/2.42%
Volatility	51%	56%/64%
Expected life	3.5 yrs	3 to 5 yrs
Expected dividend yield	NIL	NIL
Expected forfeiture rate	NIL	NIL
Fair value per warrant granted	$1.50	$1.07/$1.35

15 Selling and administrative expenses

	2020 $	2019 $
Share-based compensation expense	**2,207**	734
Sales and marketing expense	**24,343**	13,317
Business development and regulatory affairs	**5,315**	2,177
General administrative	**9,169**	4,622
	41,034	20,850

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

16 Financing costs (income)

	2020 $	2019 $
Interest on convertible debentures	**2,520**	1,700
Interest accretion on convertible debentures, net of amort. of deferred financing costs	**4,039**	1,675
Interest on long-term debt	**200**	-
Interest accretion on balance of payable for business combination	**2,318**	503
Interest on lease liabilities	**59**	-
Interest expense	**9,136**	3,878
Convertible debentures – Unrealized gain on fair value of derivative	**(12,300)**	(3,737)
Business combination payable – Unrealized loss on change in fair value	**1,652**	-
	(1,512)	141

17 Employee benefit expense

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

	2020 $	2019 $
Salaries and benefits	**13,483**	7,033
Share-based compensation	**142**	80
	13,625	7,113

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

	2020 $	2019 $
Key management compensation		
Salaries and benefits	**3,614**	2,829
Share-based compensation	**2,065**	654
	5,679	3,483

Key management compensation is included in selling and administrative expenses.

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

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 $345 (2019 – $147) for the year ended March 31, 2020.

b) Royalties paid on an exclusive licensing agreement with a significant shareholder of the Company totaled $500 (2019 - $318) for the year ended March 31, 2020. 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 $368 (2019 – $170) for the year ended March 31, 2020.

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 $5,000 plus a 2% royalty on the annual net sales of the product up to a maximum of $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.

20 Consolidated statements of cash flows

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

	2020 **$**	**2019** **$**
Decrease (increase) in		
Accounts receivable	**(10,293)**	1,548
Inventories	**1,414**	(107)
Prepaid expenses	**171**	690
Increase (decrease) in		
Accounts payable and accrued liabilities	**6,593**	(668)
	(2,115)	1,463

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

21 Geographic information

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

	2020 $	2019 $
United States	**70,702**	40,207
Canada	**24,764**	26,487

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

	2020 $	2019 $
United States	**47,156**	17,819
Canada	**27,204**	16,045

22 Income Taxes

Income tax expense includes the following components:

	2020 $	2019 $
Current		
United States	**912**	632
Deferred		
United States	**(1,824)**	(136)
Canada	**(209)**	(274)
	(2,033)	(410)
Total income tax expense	**(1,121)**	222

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

	2020 $	2019 $
Statutory federal and provincial tax	**(986)**	(1,741)
Increase (decrease) in taxes recoverable resulting from:		
Impact of rate differential of foreign jurisdiction	**(429)**	(42)
Effect of change in valuation allowance	**253**	860
Non-deductible share-based compensation	**524**	196
Non-deductible expense for tax purposes	**36**	735
Other differences	**(310)**	214
	(912)	222

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

The Canadian combined statutory rate as at March 31, 2020 was 26.6% (2019 – 26.7%).

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 $
2026	478
2027	741
2028	613
2029	701
2030	1,998
2031	1,740
2032	2,120
2033	847
2034	1,197
2035	5,137
2036	3,281
2037	3,000
2038	5,508
2039	3,381
2040	9,249
	39,991

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 $9,195 (2019 - $7,478).

(expressed in thousands of Canadian 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 fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.

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.

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are liquidity risk, credit risk and market risk. The Company's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Company's financial performance.

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.

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

2020	1 year or less $	Between 1 & 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	**31,263**	**-**	**-**	**31,263**
Long-term debt	**14,458**	**14,019**	**-**	**28,477**
Convertible debentures – Host	**-**	**26,564**	**-**	**26,564**
Convertible debentures – Derivative	**-**	**2,820**	**-**	**2,820**
Balance of payable for business combinations	**1,564**	**19,058**	**19,619**	**40,241**
	47,285	**62,461**	**19,619**	**129,365**

2019	1 year or less $	Between 1 & 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	13,329	-	-	13,329
Convertible debentures – Host	-	22,525	-	22,525
Convertible debentures – Derivative	-	15,120	-	15,120
Balance of payable for business combinations	183	11,735	5,286	17,204
	13,512	49,380	5,286	68,178

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. The Company offers credit to its customers in the normal course of its operations. 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.

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.

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

The consolidated statements of financial position have amounts denominated in other currencies as follows, expressed in Canadian dollars:

	2020 $	2019 $
Cash and cash equivalents		
US dollar	**4,472**	8,367
Euro	**91**	584
Accounts receivable		
US dollar	**17,774**	9,875
Accounts payable and accrued liabilities		
US dollar	**(24,677)**	(6,851)
Euro	**(1,083)**	(2,165)
Long-term debt		
US dollar	**(28,144)**	-
Balance of payable for business combination		
US dollar	**(40,241)**	(17,204)

The table below shows the immediate increase (decrease) on net loss and other comprehensive loss of a 10% strengthening in the closing exchange rate of significant currencies to which the Company has exposure as at March 31, 2020. 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, 2020, did not enter into arrangements to hedge its currency risk exposure.

As at	2020 $	2019 $
10% strengthening of the CA$:US$ exchange rate		
Impact on net loss	**2,342**	1,691
Impact on other comprehensive income	**4,740**	(962)
Impact on comprehensive income	**7,082**	729
10% strengthening of the CA$:EUR exchange rate		
Impact on comprehensive loss	**99**	158

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, 2020. 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 of 1.5% the Company is subject to in the Term Loan, as discussed in note 9.

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

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 combination	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 three customers which individually account for more than 10% of its revenues for the year ended March 31, 2020 (2019 – two customers); together these three customers account for approximately 71% of the Company's revenue (2019 – 65%).

25 Subsequent events

Asset-based revolving credit facility

Subsequent to March 31, 2020, on May 7, 2020, the Company announced that it entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Financial Trust in respect of a US$20,000 secured asset-based revolving credit facility having a term of 38 months expiring June 30, 2023 (the "ABL Facility"). The ABL Facility is secured by a first-priority security interest in all existing and after-acquired personal property and is subject to an intercreditor agreement with MidCap Financial Trust, in its capacity as administrative agent under the Term Loan. 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 US$20,000 revolving commitment (subject to the borrowing base) and an uncommitted US$10,000 accordion. The initial advance under the ABL Facility has been used by the Company to repay US$10,000 of the principal amount outstanding under the Term Loan, plus all accrued and unpaid interest thereon and fees payable in connection therewith, and to pay transaction fees and expenses in connection with the ABL Facility. After such repayment, approximately US$10,000 of the principal amount remained outstanding under the Term Loan (note 9).