BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

Expressed in Canadian Dollars

To the Shareholders of BioSyent Inc.:

Management has prepared the interim unaudited condensed consolidated financial statements for BioSyent Inc. (the "**Company**") in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed these unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2016 and 2015.

Alfred D'Souza

Vice-President and Chief Financial Officer,
BioSyent Inc.

November 22, 2016

BIOSYENT INC.
INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

AS AT		**September 30, 2016**		**December 31, 2015**
ASSETS				
Trade receivables	**$**	**2,231,284**	$	1,341,668
Other receivables		**74,255**		43,610
Inventory *(Note 5)*		**1,545,282**		1,744,936
Prepaid expenses and deposits		**279,756**		297,791
Derivative assets *(Note 6)*		**96,912**		34,569
Short term investments *(Note 7)*		**478,199**		5,322,859
Cash and cash equivalents *(Note 7)*		**10,925,084**		4,392,617
CURRENT ASSETS		**15,630,772**		13,178,050
Equipment *(Note 8)*		**303,770**		230,255
Intangible assets *(Note 9)*		**1,241,964**		1,079,488
Deferred tax asset		**119,633**		120,208
TOTAL NON CURRENT ASSETS		**1,665,367**		1,429,951
TOTAL ASSETS	**$**	**17,296,139**	$	14,608,001
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accounts payable and accrued liabilities	**$**	**1,448,924**	$	1,975,804
Income tax payable		**193,172**		380,461
CURRENT LIABILITIES		**1,642,096**		2,356,265
Deferred tax liabilty		**88,537**		100,254
TOTAL NON CURRENT LIABILITIES		**88,537**		100,254
Share capital *(Note 10)*		**7,233,376**		7,174,916
Contributed surplus		**575,320**		420,176
Cumulative translation adjustment		**43,458**		57,721
Retained earnings		**7,713,352**		4,498,669
Total Equity		**15,565,506**		12,151,482
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**17,296,139**	$	14,608,001

Contingencies *(Note 13)*
Commitments *(Note 14)*
Related Party Transactions (*Note 15*)
Subsequent Event (*Note 20*)

APPROVED ON BEHALF OF THE BOARD

DIRECTOR **DIRECTOR**

November 22, 2016

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

BIOSYENT INC.
INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Canadian Dollars)

	Nine months ended September 30,		Three months ended September 30,	
	2016	**2015**	**2016**	**2015**
Net Revenues	**$ 12,912,602**	$ 11,546,334	**$ 4,766,786**	$ 4,646,236
Cost of Goods Sold *(Note 5)*	**2,653,435**	2,532,723	**1,058,933**	1,084,943
Selling, General & Administration *(Note 12)*	**5,987,627**	4,941,597	**2,093,066**	1,962,032
New Business & Development Costs	**59,424**	17,421	**8,948**	2,201
Finance Income	**(96,649)**	(61,682)	**(7,990)**	(24,860)
Total Expenses	**8,603,837**	7,430,059	**3,152,957**	3,024,316
Net Income Before Income Taxes	**4,308,765**	4,116,275	**1,613,829**	1,621,920
Current income tax *(Note 18)*	**1,105,224**	1,097,673	**377,591**	424,197
Deferred tax *(Note 18)*	**(11,142)**	16,315	**(11,142)**	9,187
Net Income After Income Taxes	**3,214,683**	3,002,287	**1,247,380**	1,188,536
Other Comprehensive Income				
Currency translation gains (losses)	**(14,263)**	34,524	**4,159**	14,864
Total Comprehensive Income for the Period	**$ 3,200,420**	$ 3,036,811	**$ 1,251,539**	$ 1,203,400
Basic earnings per share *(Note 11)*	**$ 0.23**	$ 0.22	**$ 0.09**	$ 0.09
Diluted earnings per share *(Note 11)*	**$ 0.22**	$ 0.21	**$ 0.08**	$ 0.08

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

BIOSYENT INC.
INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the nine months ended September 30,	2016	2015
OPERATING ACTIVITIES		
Net income for the period	$ 3,214,683	$ 3,002,287
Items not affecting cash:		
Depreciation - equipment	59,705	41,095
Amortization - intangible assets	37,212	14,442
Share-based payments	183,036	123,296
Derivative asset	(62,343)	77,076
Current Income tax	1,105,224	1,097,673
Deferred tax	(11,142)	16,315
Cash paid for taxes	(1,292,513)	(1,250,281)
Net change in non-cash working capital items:		
Trade and other receivables	(920,261)	(976,798)
Inventory	199,654	(405,323)
Prepaid expenses and deposits	18,035	25,711
Accounts payable and accrued liabilities	(526,880)	(342,817)
Cash provided by operating activities	**2,004,410**	**1,422,676**
INVESTING ACTIVITIES		
Additions to equipment	(133,220)	(104,095)
Additions to intangible assets	(199,688)	(967,877)
Decrease (Increase) in short term investments	4,844,660	(2,846,111)
Cash used in investing activities	**4,511,752**	**(3,918,083)**
FINANCING ACTIVITIES		
Proceeds from stock options exercised	30,568	9,350
Cash provided by investing activities	**30,568**	**9,350**
Effect of foreign currency translation adjustment	**(14,263)**	**34,524**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**6,532,467**	**(2,451,533)**
Cash and cash equivalents, beginning of period	4,392,617	6,989,171
CASH AND CASH EQUIVALENTS - END OF PERIOD	**$ 10,925,084**	**$ 4,537,638**
SUPPLEMENTARY DISCLOSURE:		
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Cash and short term investments, beginning of period	$ 9,715,476	$ 7,989,140
(Decrease) Increase in short term investments	(4,844,660)	2,846,111
Increase (Decrease) in cash and cash equivalents	6,532,467	(2,451,533)
CASH AND SHORT TERM INVESTMENTS - END OF PERIOD	**$ 11,403,283**	**$ 8,383,718**

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

BIOSYENT INC.

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance December 31, 2015	$ 7,174,916	$ 420,176	$ 57,721	$ 4,498,669	$ 12,151,482
Comprehensive Income for the year	-	-	(14,263)	3,214,683	3,200,420
Effect of Share-based payments: Options granted / vested	-	183,036	-	-	183,036
Effect of Share-based payments: Options exercised	58,460	(27,892)	-	-	30,568
Balance as of September 30, 2016	$ 7,233,376	$ 575,320	$ 43,458	$ 7,713,352	$ 15,565,506

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance December 31, 2014	$ 7,137,844	$ 274,982	$ 13,486	$ 733,780	$ 8,160,092
Comprehensive Income for the year	-	-	34,525	3,002,287	3,036,812
Effect of Share-based payments: Options granted / vested	-	123,296	-	-	123,296
Effect of Share-based payments: Options exercised	18,470	(9,122)	-	-	9,348
Balance as of September 30, 2015	$ 7,156,314	$ 389,156	$ 48,011	$ 3,736,067	$ 11,329,548

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

1. General Information

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

The accompanying interim unaudited condensed consolidated financial statements (the "**Financial Statements**") of BioSyent include the accounts of BioSyent Inc. and its four wholly-owned subsidiaries: BioSyent Pharma Inc., BioSyent Pharma International Inc., Hedley Technologies Ltd., and Hedley Technologies (USA) Inc. (formerly HTI Agritech (USA) Inc.) ("**Hedley USA**").

The Company changed its name from "Hedley Technologies Inc." to "BioSyent Inc." on June 13, 2006 to reflect the Company's forward focus on the pharmaceutical market. BioSyent Pharma was incorporated on April 6, 2006 under the *Canada Business Corporations Act* and commenced operations in 2006. Hedley Technologies Ltd. was incorporated on January 30, 1996 in the province of British Columbia, Canada. Hedley USA was incorporated on May 13, 1994 in the state of Washington, USA. BioSyent Pharma International Inc. was incorporated on April 18, 2016 in Barbados. Biosyent's principal place of business is located at 170 Attwell Drive, Suite 520, Toronto, Ontario, Canada M9W 5Z5.

These Financial Statements were approved by the Board of Directors on November 22, 2016.

2. Basis of Presentation

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

Statement of Compliance

These Financial Statements are in compliance with International Financial Reporting Standards ("**IFRS**") and have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("**IAS34**") as issued by the International Accounting Standards Board ("**IASB**").

Since these Financial Statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

Going Concern

These Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

Basis of Consolidation

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

Functional and Presentation Currency

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

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

3. Use of Estimates and Accounting Judgments by Management

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

Judgments

a) Recoverability of asset carrying values

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

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

b) Impairment of trade and other receivables

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful debts is established based on specific situations and overall industry conditions.

c) Income taxes

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

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

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

Estimates

The most significant estimates made by management include the following:

a) Depreciation

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

b) Share-based payments

Issuances and grants of share options are valued using the fair value method. Management uses the Black-Scholes option pricing model to estimate the fair value of share options determined at grant date for options granted to employees. Significant assumptions affecting the valuation of options include the term allowed for option exercise, a volatility factor relating to the Company's historical share price, dividend yield, forfeiture rate and risk-free interest rate.

c) Inventory

Management has estimated the value of inventory based upon its assessment of the net realizable value less selling costs. All slow moving merchandise has been allowed for by management.

4. Summary of Significant Accounting Policies

These Financial Statements have been prepared based on the Company's accounting policies as set out in Note 4 of the audited consolidated financial statements for the year ended December 31, 2015.

Recent Accounting Pronouncements

Certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not yet been adopted by the Company. Management anticipates that all of the relevant pronouncements will be adopted by the Company for the first period following the effective date of the pronouncement.

(Expressed in Canadian Dollars)

IFRS 9 *Financial Instruments:*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of evaluating the impact of this new standard.

IFRS 15 *Revenue from Contracts with Customers*:

The IASB has issued IFRS 15 *Revenue from Contracts with Customers* (**"IFRS 15"**). IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is in the process of determining the impact of this new standard.

IFRS 16 *Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company is in the process of evaluating the impact of this new standard.

5. Inventory

Inventory is comprised of the following:

	September 30, 2016	December 31, 2015
Raw and Packaging Materials	**$518,224**	$512,414
Finished Goods	**1,027,058**	1,232,522
Total	**$1,545,282**	$1,744,936

Cost of Goods Sold consists of the following:

Cost of Goods Sold consists of the following:

	Nine months ended Sept. 30,		Three months ended Sept. 30,	
	2016	2015	**2016**	2015
Raw and Packaging Materials and Finished Goods	**$2,577,165**	$2,463,093	**$1,024,456**	$1,072,563
Freight	**76,270**	62,934	**34,476**	12,380
Royalties	**-**	6,696	**-**	0
Total	**$2,653,435**	$2,532,723	**$1,058,932**	$1,084,943

6. Financial Instruments and Financial Risk Management

Fair Value Measurement

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

Level 1 - inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Level 3 - inputs are unobservable data points for the asset or liability, and includes situation where there is little, if any, market activity for the asset or liability

Fair Value Estimation of Financial Instruments

The Company's carrying value of cash and cash equivalents, short term investments, trade and other receivables, accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

Risks

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

- Forward Contracts:

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in U.S. dollars and Euros with financial institutions with investment grade credit ratings. Such contracts are classified as derivative financial instruments and measured at fair value through profit and loss. As at September 30, 2016, the Company entered into forward contracts to purchase a total of USD 1,200,000 (December 31, 2015 – USD 1,800,000).

The contracts give the Company the right to buy USD at exchange rates expressed in CAD per USD between 1.1935 and 1.2500 which will be settled on various dates from the date hereof to July 2017. The Company's right to buy USD on the respective settlement dates is subject to the spot exchange rates on the settlement dates being below a range of rates between 1.3300 and 1.3520 CAD per USD.

As at September 30, 2016, the Company also entered into a forward contract to sell EUR 630,000 at an exchange rate of 1.4835 CAD per USD which will be settled on December 14, 2016.

The fair value of forward exchange contracts is estimated based on quoted values from financial institutions.

The Company's forward contracts resulted in unrealized currency gains of $27,905 and $96,912 for the three and nine months ended September 30, 2016, respectively (three and nine months ended September 30, 2015 – gains of $nil and $65,551, respectively).

The following table illustrates the Company's investment in forward contracts that are measured at fair value through profit and loss ("**FVTPL**"):

September 30, 2016	Level 1	Level 2	Level 3
Forward Contracts	-	96,912	-

December 31, 2015	Level 1	Level 2	Level 3
Forward Contracts	-	34,569	-

- Dual Currency Deposits:

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

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

September 30, 2016	Level 1	Level 2	Level 3
DCDs	-	nil	-

December 31, 2015	Level 1	Level 2	Level 3
DCDs	-	4,850,359	-

At December 31, 2015, the Company had the following CAD denominated DCDs that were convertible into USD (September 30, 2016 - nil).

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
	December 31, 2015					
DCD	1.3019	1,000,000	1,006,507	2.66%	January 20, 2016	1.2600
DCD	1.2982	250,000	251,708	2.79%	January 21, 2016	1.2650

The Company had also invested in the following CAD and Euro ("**EUR**") denominated DCDs at December 31, 2015 (September 30, 2016 - nil):

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD / EUR)	Net Fair Value (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
	December 31, 2015					
DCD	1.4257	1,100,000 CAD	1,111,457	4.85%	February 23, 2016	1.4000
DCD	1.4120	500,000 EUR	722,066	5.00%	February 29, 2016	1.4300
DCD	1.4120	450,000 EUR	650,198	5.50%	February 25, 2016	1.4300
DCD	1.4217	1,100,000 CAD	1,108,423	4.20%	March 9, 2016	1.4000

- Foreign Exchange Risk:

The Company currently earns revenue in Canadian dollars, U.S. dollars and Euros and incurs costs in Canadian dollars, U.S. dollars and Euros. Management monitors the foreign currency net liability position on a periodic basis throughout the course of the year and adjusts the total net monetary liability balance accordingly. When it is appropriate to de-risk future foreign exchange transactions, the Company will reduce its exposure by booking foreign exchange forward cover transactions.

(Expressed in Canadian Dollars)

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

Foreign Exchange Sensitivity Analysis - USD

	September 30, 2016	December 31, 2015
Description of Asset/(Liability)	**USD**	USD
Cash and cash equivalents	**120,884**	44,182
Trade receivables	**-**	-
Less		
Accounts payable	**(387,146)**	(510,695)
Net Total	**(266,262)**	(466,513)

Foreign Exchange Rate CAD per USD at the end of the period	**1.3117**	1.3840

At September 30, 2016, if the U.S. dollar had been stronger or weaker by 1% against the Canadian dollar with all other variables held constant, comprehensive income would have been $2,567 lower or higher on an after tax basis (December 31, 2015 - $4,746 lower or higher).

Foreign Exchange Sensitivity Analysis - EUR

	September 30, 2016	December 31, 2015
Description of Asset/(Liability)	**EUR**	EUR
Cash and cash equivalents	**231,898**	235,329
Trade receivables	**123,200**	-
Short term investments		950,000
Less		
Accounts payable	**(183,072)**	(30,790)
Net Total	**172,026**	1,154,539

Foreign Exchange Rate CAD per EUR at the end of the period	**1.4741**	1.5029

At September 30, 2016, if the Euro had been stronger or weaker by 1% against the Canadian dollar with all other variables held constant, comprehensive income would have been $1,864 higher or lower on an after tax basis (December 31, 2015 - $12,753 higher or lower).

- Interest Rate Risk:

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Some of the Company's cash and cash equivalents as at the date of the Company's Statement of Financial Position are invested in redeemable guaranteed investment certificates (each, a "**GIC**"), which earn interest at fixed rates during their tenure. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest when these GICs are renewed may have an impact on the Company's profit for the period.

(Expressed in Canadian Dollars)

➢ Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, short term investments, trade and other receivables. The carrying amount of financial assets represents maximum credit exposure. As the Company invests some of its cash in redeemable GICs its credit risk on this account is negligible.

The Company's current customers are large corporations. These customers have been dealing with the Company for several years and have never defaulted in settling their liabilities to the Company. Amounts past due are receivable from large corporations and as such, based on historical experience, the Company does not consider such amounts to be impaired

Trade Receivables

Description	**September 30, 2016**	December 31, 2015
Current	**$ 1,971,360**	$ 1,184,688
Past due 1-30 days	**198,497**	155,491
Past due 31-60 days	**59,201**	1,489
Over 60 days	**2,226**	3,100
Less allowance for doubtful accounts	**-**	- 3,100
Closing Balance	**$ 2,231,284**	$ 1,341,668
Maximum Credit Risk	**2,231,284**	1,341,668

One customer represents 31% of trade receivables (December 31, 2015: 43%) while another customer represents 29% of trade receivables (December 31, 2015: 27%). There have been no past defaults by either of these customers. Cash and cash equivalents and short term investments and forward contracts are maintained with Canadian financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

➢ Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is actively involved in the review and approval of planned expenditures. All contractual maturities of accounts payable and accrued liabilities are due within one year. The Company has no other liabilities.

The Company generates sufficient cash from operating activities to fund its operations and fulfill its obligations as they become due. The Company has credit facilities available with Royal Bank of Canada totalling $2,552,000, including a revolving demand credit facility of $1,500,000 which it has not drawn down as at the date hereof.

There were no changes to the Company's exposure to liquidity risk, credit risk, or interest rate risk or to its approach to managing these risks during the three and nine months ended September 30, 2016.

(Expressed in Canadian Dollars)

7. Cash and Cash Equivalents and Short Term Investments

Cash and Cash Equivalents and Short Term Investments comprise of the following:

	September 30, 2016	December 31, 2015
Cash	**$10,720,084**	$3,187,617
Redeemable GICs	**205,000**	1,205,000
Cash and cash equivalents	**10,925,084**	4,392,617
Short term investments	**478,199**	5,322,859
Total Cash and Short Term Investments	**$11,403,283**	$9,715,476

8. Equipment

	Furniture and Fixtures	Equipment	Computer Equipment	Computer Software	Total
COST:					
December 31, 2014	$ 55,480	$ 23,002	$ 58,348	$ 147,945	$ 284,774
2015 Additions	48,669	14,064	17,630	48,422	128,785
December 31, 2015	$ 104,149	$ 37,066	$ 75,978	$ 196,367	$ 413,559
2016 Additions			104,784	28,436	133,220
September 30, 2016	**$ 104,149**	**$ 37,066**	**$ 180,762**	**$ 224,803**	**$ 546,779**
ACCUMULATED DEPRECIATION:					
December 31, 2014	$ (21,257)	$ (9,652)	$ (33,449)	$ (63,508)	$ (127,867)
Changes in 2015	(11,711)	(4,076)	(10,114)	(29,536)	(55,437)
December 31, 2015	$ (32,968)	$ (13,726)	$ (43,565)	$ (93,045)	$ (183,304)
Changes in 2016	(10,677)	(3,500)	(19,082)	(26,446)	(59,705)
September 30, 2016	**$ (43,645)**	**$ (17,226)**	**$ (62,647)**	**$ (119,491)**	**$ (243,009)**
CARRYING AMOUNT					
December 31, 2014	$ 34,222	$ 13,350	$ 24,898	$ 84,437	$ 156,907
December 31, 2015	$ 71,180	$ 23,340	$ 32,413	$ 103,322	$ 230,255
September 30, 2016	**$ 60,504**	**$ 19,840**	**$ 118,115**	**$ 105,312**	**$ 303,770**

(Expressed in Canadian Dollars)

9. Intangible Assets

Intangible assets consist of new product development costs, product licenses and distribution rights as well as the costs to file patents, trademarks and applications for new product licenses issued by government regulatory bodies.

	New Product Dossier and Filing Costs	Product Licenses and Rights	New Product Development	Trademarks	Total
COST:					
December 31, 2014	$ 66,720	-	-	-	$ 66,720
2015 Additions	173,044	803,199	36,041	6,449	1,018,734
December 31, 2015	$ 239,764	$ 803,199	$ 36,041	$ 6,449	$ 1,085,454
2016 Additions	93,662	74,591	18,875	12,560	199,688
September 30, 2016	**$ 333,426**	**$ 877,790**	**$ 54,916**	**$ 19,009**	**$ 1,285,142**
ACCUMULATED AMORTIZATION:					
December 31, 2014	-	-	-	-	-
Changes in 2015	(5,966)	-	-	-	(5,966)
December 31, 2015	$ (5,966)	$ -	$ -	$ -	$ (5,966)
Changes in 2016	(3,977)	(33,235)	-	-	(37,212)
September 30, 2016	**$ (9,943)**	**$ (33,235)**	**$ -**	**$ -**	**$ (43,178)**
CARRYING AMOUNT					
December 31, 2014	$ 66,720	$ -	$ -	$ -	$ 66,720
December 31, 2015	$ 233,798	$ 803,199	$ 36,041	$ 6,449	$ 1,079,488
September 30, 2016	**$ 323,483**	**$ 844,555**	**$ 54,916**	**$ 19,009**	**$ 1,241,964**

Cumulatively, the Company has incurred product dossier and filing costs of $333,426 (December 31, 2015 – $239,764) to date on six products, one of which, the Aguettant System® Atropine pre-filled syringe, has been approved and launched. The filing costs incurred in respect of this product are being amortized on a straight-line basis over its estimated useful life of 5 years based on marketability. The other five products have not yet been launched to the market and as such, no amortization has yet been recorded.

On August 18, 2015, the Company entered into a Distribution and Supply Agreement with Photocure ASA (the "**Distribution and Supply Agreement**") to acquire the exclusive rights to market, promote, distribute and sell the Cysview® product in Canada including an exclusive right to use the Cysview® trademark and a license to use the patents associated with the product in Canada.

The Company has incurred costs totalling $1,016,390 related to the acquisition and commercialization of Cysview®. Of these total costs, $877,790 was incurred by the Company to acquire the distribution rights related to the product and to establish Cysview® in Canada. These are being amortized on a straight-line basis over the 11 year term of the agreement.

(Expressed in Canadian Dollars)

The balance of $138,600 of these total costs represents the fair value of product received free of charge from Photocure ASA and as such, has been classified as inventory. In addition to the upfront payment made by the Company to Photocure ASA, certain future payments are also required by the Company under the Distribution and Supply Agreement contingent on the achievement of specific milestones (see *Note 13*). These milestone payments will be recognized as an increase to product licenses and rights when the specific milestones are achieved.

The Company has incurred new product development costs consisting of labour, laboratory and professional fees totalling $54,916 (December 31, 2015 - $36,041) relating to the development of a new product. The Company will commence amortization of these costs upon the completion of development.

10. Share Capital

a) Authorized

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

b) Issued and outstanding common shares

	Shares	Amount
Balance December 31, 2014	13,851,195	$ 7,137,844
Options exercised	170,000	37,072
Balance December 31, 2015	14,021,195	$ 7,174,916
Options exercised	79,892	58,460
Balance September 30, 2016	**14,101,087**	**$ 7,233,376**

During the nine months ended September 30, 2016, 79,892 shares were issued against options exercised (September 30, 2015 – 115,000). Upon exercise of these stock options, $27,892 (September 30, 2015 - $9,122) in fair value has been transferred from contributed surplus to share capital.

c) There are nil preferred shares outstanding as of September 30, 2016 (December 31, 2015 – nil).

d) Share-Based Payments

On March 11, 2014 the Board approved an incentive stock option plan (the "**SOP**") which was adopted by the shareholders of the Company on June 13, 2014 and re-approved on May 26, 2016. The purpose of the SOP is to assist the Company in attracting, retaining and motivating directors, officers, employees and other persons who provide ongoing services to the Company and its affiliates and to closely align the personal interests of such participants with those of the Company's shareholders, by providing them with the opportunity to acquire common shares of the Company, and thereby a proprietary interest in the Company and its subsidiaries, through the exercise of share purchase options.

(Expressed in Canadian Dollars)

On February 3, 2015, 23,876 options were granted by the Company to various employees under the SOP. These options shall fully vest on December 31, 2018. The fair value of these options granted at an exercise price of $10.97 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	$10.97
Risk-free interest rate	1.30%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	158.60%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	$10.85
Forfeiture rate	0%

On August 18, 2015, the Company granted 7,396 options to an employee. The options can be exercised at a price of $6.85 per option until August 18, 2025. One-third of these options shall vest at each anniversary date over three years. The fair value of these options has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	$6.85
Risk-free interest rate	1.31%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	156.16%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	$6.76
Forfeiture rate	0.05%

On February 12, 2016, 45,201 options were granted by the Company to various employees under the SOP. An additional 1,186 options were granted to new employees during the period. These options shall fully vest on February 12, 2019. The fair value of these options granted at an exercise price of $6.20 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	$6.20
Risk-free interest rate	1.01%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	152.40%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	$6.11
Forfeiture rate	0.11%

During the three and nine months ended September 30, 2016, the Company recorded share-based payment expense of $58,271 and $183,036, respectively (three and nine months ended September 30, 2015 - $38,667 and $123,296, respectively) relating to option grants to employees, directors and officers, which are included in Selling, General and Administration expenses in the interim unaudited consolidated statements of comprehensive income.

(Expressed in Canadian Dollars)

As at September 30, 2016, there were 511,692 (December 31, 2015 – 546,884) options outstanding, as shown below:

	September 30, 2016		December 31, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**546,884**	**$1.16**	689,486	$0.54
Granted	**46,387**	**$6.20**	31,272	$10.00
Expired or forfeited	**(1,687)**	**$9.58**	(3,874)	$9.01
Exercised	**(79,892)**	**$0.38**	(170,000)	$0.11
Outstanding, end of period	**511,692**	**$1.71**	546,884	$1.16

Of the total number of options outstanding as of September 30, 2016, 434,456 options have vested and are exercisable by the option holders (December 31, 2015 – 501,155).

These exercisable options have a weighted average exercisable price of $0.71 (December 31, 2015 - $0.47). The weighted-average remaining contractual life of the 511,692 (December 31, 2015 – 546,884) options outstanding is 1.78 years (December 31, 2015 – 1.28 years) and the range of exercise prices for these options is $0.11 - $10.97 (December 31, 2015 - $0.10 - $10.97). The weighted average share price on the date of exercise of the options exercised during the nine months ended September 30, 2016 was $7.41 (September 30, 2015 - $7.48).

11. Earnings per Share

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

	Nine months ended Sept. 30,		**Three months ended Sept. 30,**	
	2016	**2015**	**2016**	**2015**
Numerator				
Net income attributable to common shareholders	**$ 3,214,683**	$ 3,002,287	**$ 1,247,380**	$ 1,188,536
Denominator				
Basic				
Weighted average number of shares outstanding	**14,066,764**	13,871,676	**14,078,230**	13,943,118
Effect of Dilutive Securities adjusted for exercised options	**440,935**	583,924	**469,720**	541,123
Diluted				
Weighted average number of shares outstanding	**14,507,699**	14,455,600	**14,547,950**	14,484,241
Basic earnings per share	**$ 0.23**	$ 0.22	**$ 0.09**	$ 0.09
Diluted earnings per share	**$ 0.22**	$ 0.21	**$ 0.08**	$ 0.08

(Expressed in Canadian Dollars)

12. Expenses by Nature

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

		Nine months ended Sept. 30,			Three months ended Sept. 30,	
		2016	**2015**		**2016**	**2015**
Cost of Goods Sold	$	**2,653,435**	2,532,723	$	**1,058,933**	1,084,943
Selling and Marketing	$	**3,600,941**	3,076,933	$	**1,241,065**	1,271,818
Advertising, promotion and selling costs		**1,814,852**	1,714,652		**560,559**	706,796
Employee Costs		**1,638,130**	1,173,576		**617,733**	466,324
Logistics, Quality Control & Regulatory		**147,959**	188,705		**62,773**	98,698
General and Administration	$	**2,386,686**	1,864,664	$	**852,001**	690,214
Professional Fees		**84,379**	88,934		**28,008**	24,463
Corporate Expenses		**472,138**	447,391		**188,833**	201,478
Depreciation and Amortization		**96,917**	41,095		**41,480**	15,182
Employee Costs		**1,636,264**	1,367,686		**592,985**	579,731
Others		**139,175**	47,503		**41,279**	12,945
Foreign Exchange		**(42,187)**	(127,945)		**(40,584)**	(143,585)
New Business & Development Costs	$	**59,424**	17,421	$	**8,948**	2,201
Finance Income	$	**(96,649)**	(61,682)	$	**(7,990)**	(24,860)

The major functions include Cost of Goods Sold, Selling and Marketing, General and Administration, New Business and Development and Finance Costs / (Income). The nature of expenses covered by each function is broadly outlined below with the caveat that the descriptions provided are indicative and should not to be construed as being comprehensive:

- Cost of Goods Sold: Includes expenses related to purchase of products, change in inventory, variable freight and royalty cost on sales
- Selling and Marketing: Includes all expenses related to selling, marketing, sales and marketing personnel compensation and distribution expenses
- General and Administration: Includes expenses associated with running the day to day operations of the business
- New Business and Development: Includes expenses related but not limited to acquiring new drugs, scientific consulting and regulatory fees.
- Finance Costs / (Income): Includes interest charges and income.

(Expressed in Canadian Dollars)

13. Contingencies

Litigations

From time to time the Company may be exposed to claims and legal actions in the normal course of business. As at September 30, 2016, the Company was not aware of any litigation or threatened claims either outstanding or pending.

Cysview® Distribution and Supply Agreement

Under the terms of the August 18, 2015 Distribution and Supply Agreement between the Company and Photocure ASA in respect of the Cysview® product (see *Note 9*), milestone payments averaging $220,438 (USD 168,055) per year for three consecutive years are potentially required to be made by the Company to Photocure ASA between December 31, 2020 and December 31, 2022 dependent upon the achievement of certain events. The Company will record these amounts as the events occur.

14. Commitments

Office Lease

The Company's minimum future rental payments and operating costs are approximately as follows:

Fiscal 2016	$ 45,359
Fiscal 2017	$ 181,434
Fiscal 2018	$ 15,120

Purchase Commitments

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

15. Related Party Transactions

Key Management Personnel Compensation

The table below summarizes compensation for key management personnel of the Company for the three and nine months ended September 30, 2016 and September 30, 2015.

	Nine months ended Sept. 30,		**Three months ended Sept. 30,**	
	2016	**2015**	**2016**	**2015**
Number of Key Management Personnel	**4**	4	**4**	4
Salary and Bonus	**$543,807**	$494,264	**$181,789**	$156,613
Share-Based Payments	**$79,442**	$62,889	**$26,776**	$27,125

Transactions with Other Key Management Personnel and Directors

During the nine months ended September 30, 2016, the Company paid total fees to its directors in the amount of $34,875 (September 30, 2015 - $27,900) and share-based payments of $32,290 (September, 30, 2015 - $26,506).

(Expressed in Canadian Dollars)

Additionally, the Company paid remuneration of $13,500 to one of its directors for professional services rendered for the nine months ended September 30, 2016 (September 30, 2015 - $13,500). These related party transactions have occurred in the normal course of operations.

16. Capital Disclosures

For capital management purposes, the Company defines capital as its shareholders' equity that includes share capital, contributed surplus, cumulative translation adjustment and retained earnings. The amounts included in the Company's capital for the relevant period are as follows:

September 30, 2016	$15,565,506
December 31, 2015	$12,151,482

The Company's principal objectives in managing capital are:

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

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

The Company does not have any externally imposed capital compliance requirements. There were no changes in the Company's approach to capital management during the year.

17. Credit Facilities

The Company has credit facilities available with Royal Bank of Canada totalling $2,552,000, including a revolving demand credit facility of $1,500,000 which has not been utilized as of September 30, 2016. This credit facility has been secured against the Company's receivables and inventory and bears interest at a variable rate of Royal Bank prime plus 0.75%.

18. Taxes

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

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

(Expressed in Canadian Dollars)

The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax at rates of 26.5% (2015 – 26.5%) in the Canadian jurisdictions, 35% (2015 – 35%) in the U.S. jurisdiction, and 2.5% in the Barbados jurisdiction.

19. Segment Reporting

A segment is a component of the Company:

i) that engages in business activities from which it may earn revenue and incur expenses;
ii) whose operating results are reviewed by the board of directors; and
iii) for which discrete financial information available.

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

The revenue breakdown by business is provided below:

a) for both the pharmaceutical and insecticide business; and
b) for both Canadian and international jurisdictions

Revenue by Business

	Nine months ended Sept. 30,		Three months ended Sept. 30,	
	2016	**2015**	**2016**	**2015**
Canada				
Pharma Business	**$10,687,465**	$9,655,980	**$3,643,262**	$3,322,098
Insecticide Business	**1,069,866**	826,229	**530,413**	548,068
Total Canada	**$11,757,331**	$10,482,209	**$4,173,675**	$3,870,166
International Jurisdictions				
Pharma Business	**$1,052,921**	$977,545	**$542,049**	$746,800
Insecticide Business	**102,350**	86,580	**51,062**	29,270
Total International Jurisdictions	**$1,155,271**	$1,064,125	**$593,111**	$776,070
Total Revenue	**$12,912,602**	$11,546,334	**$4,766,786**	$4,646,236

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

Non-Current Assets	September 30, 2016	December 31, 2015
Canada	$1,545,734	$1,309,743
Foreign Jurisdictions	$ 119,633	$ 120,208

20. Subsequent Event

On November 8, 2016, the Company announced that BioSyent Pharma International Inc. had signed an Exclusive License and Supply Agreement with a European partner for a new product in the women's health therapeutic area for the Canadian market. The product has been approved in Europe and in certain other markets around the world and will be launched in Canada after approval by Health Canada. BioSyent intends to submit the dossier seeking marketing approval of the product to Health Canada in 2017.

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