



Consolidated Financial Statements  
(Expressed in Canadian Dollars)

## **WAVERLEY PHARMA INC.**

Year ended December 31, 2019

## **Independent Auditor's Report**

To the Shareholders of Waverley Pharma Inc.:

### **Opinion**

We have audited the consolidated financial statements of Waverley Pharma Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of net loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

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

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2(c) in the consolidated financial statements which indicates that due to the United Kingdom separating from the European Union, there are uncertainties surrounding the Company's supply chain; also subsequent to the December 31, 2019 year end, the global pandemic COVID-19 has created uncertainties surrounding the internal shipment of products, fluctuations of foreign exchange, the impact on intangible assets, and the discount rate and market share assumption used in the 2020 budget. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Information**

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

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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report the 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 International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kenneth H. Kustra.

Winnipeg, Manitoba

*MNP LLP*

May 11, 2020

**Chartered Professional Accountants**



**Waverley Pharma Inc.**  
**Consolidated Statements of Financial Position**  
**(expressed in Canadian dollars)**

<b>As at December 31</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>			
Current assets:			
Cash		\$ 1,477,417	\$ 2,942,968
Accounts receivable	5, 10(b)	926,579	327,984
Inventory	6	87,754	29,499
Prepaid expenses		47,463	26,234
Total current assets		2,539,213	3,326,685
Non-current assets			
Intangible assets	7	1,854,509	1,909,880
Total non-current assets		1,854,509	1,909,880
<b>Total assets</b>		<b>4,393,722</b>	<b>\$ 5,236,565</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		574,295	\$ 241,099
Current portion of license fee payable	10(b)	974,100	1,023,150
Total current liabilities		1,548,395	1,264,249
Total liabilities		1,548,395	1,264,249
Equity (Deficit):			
Share capital	8(b)	7,000,100	7,000,100
Warrants		-	244,097
Contributed surplus		825,560	434,647
Accumulated other comprehensive income		24,417	83,444
Deficit		(5,004,750)	(3,789,972)
Total equity		2,845,327	3,972,316
<b>Total liabilities and equity</b>		<b>\$ 4,393,722</b>	<b>\$ 5,236,565</b>

*Commitments and contingencies (Note 10)*

On behalf of the board

"Dr. Albert D. Friesen"  
Director

"Mr. P. Marcus Enns"  
Director

See accompanying notes to the consolidated financial statements.



**Waverley Pharma Inc.**  
**Consolidated Statements of Net Loss and Comprehensive Loss**  
**(expressed in Canadian dollars)**

<b>For the year ended December 31</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Revenue from contracts with customers</b>		<b>\$ 1,157,274</b>	<b>\$ 223,401</b>
Cost of goods sold	<b>6</b>	<b>1,108,339</b>	<b>190,643</b>
<b>Gross Profit</b>		<b>48,935</b>	<b>32,758</b>
<b>Expenses</b>			
Selling, general and administrative		<b>\$ 1,375,375</b>	<b>\$ 792,583</b>
Research and development		<b>87,204</b>	<b>724,888</b>
		<b>1,462,579</b>	<b>1,517,471</b>
<b>Loss before the undernoted</b>		<b>(1,413,644)</b>	<b>(1,484,713)</b>
Other income:			
Loss recovery under profit sharing arrangement	<b>10(b)</b>	<b>(152,792)</b>	<b>(5,652)</b>
		<b>(152,792)</b>	<b>(5,652)</b>
Finance (income) costs:			
Finance income, net		<b>(45,993)</b>	<b>(65,755)</b>
Foreign exchange (gain) loss		<b>(81)</b>	<b>7,402</b>
		<b>(46,074)</b>	<b>(58,353)</b>
<b>Net loss</b>		<b>\$ (1,214,778)</b>	<b>\$ (1,420,708)</b>
Translation adjustment		<b>(59,027)</b>	<b>83,912</b>
<b>Comprehensive loss</b>		<b>\$ (1,273,805)</b>	<b>\$ (1,336,796)</b>
Loss per share attributable to shareholders:			
Basic and Diluted	<b>8(e)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
Weighted average shares outstanding:			
Basic and Diluted	<b>8(e)</b>	<b>54,000,000</b>	<b>54,000,000</b>

See accompanying notes to the consolidated financial statements.



Waverley Pharma Inc.  
Consolidated Statements of Changes in Equity (Deficit)  
(expressed in Canadian dollars)

	Note	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity (Deficit)
Balance, December 31, 2017		\$ 7,000,100	\$ 244,097	\$ 182,264	\$ (468)	\$ (2,369,264)	\$ 5,056,729
Net loss for the year ended December 31, 2018		-	-	-	-	(1,420,708)	(1,420,708)
Other comprehensive loss for the year ended December 31, 2018		-	-	-	83,912	-	83,912
Stock-based compensation	8(c)	-	-	252,383	-	-	252,383
Balance, December 31, 2018		\$ 7,000,100	\$ 244,097	\$ 434,647	\$ 83,444	\$ (3,789,972)	\$ 3,972,316
<b>Balance, December 31, 2018</b>		<b>\$ 7,000,100</b>	<b>\$ 244,097</b>	<b>\$ 434,647</b>	<b>\$ 83,444</b>	<b>\$ (3,789,972)</b>	<b>\$ 3,972,316</b>
Net loss for the year ended December 31, 2019		-	-	-	-	(1,214,778)	(1,214,778)
Other comprehensive income for the year ended December 31, 2019		-	-	-	(59,027)	-	(59,027)
Transfer on expiry of warrants			(244,097)	244,097			-
Stock-based compensation	8(c)	-	-	146,816	-	-	146,816
<b>Balance, December 31, 2019</b>		<b>\$ 7,000,100</b>	<b>\$ -</b>	<b>\$ 825,560</b>	<b>\$ 24,417</b>	<b>\$ (5,004,750)</b>	<b>\$ 2,845,327</b>

See accompanying notes to the consolidated financial statements.



**Waverley Pharma Inc.**  
**Consolidated Statements of Cash Flows**  
**(expressed in Canadian dollars)**

<b>For the year ended December 31</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Cash (used in) provided by:			
Operating activities:			
Net loss for the year	\$	(1,214,778)	\$ (1,420,708)
Adjustments for:			
Stock-based compensation	8(c)	146,816	252,383
Finance income, net		(45,993)	(65,755)
Changes in working capital accounts:			
Accounts receivable		(598,595)	(292,615)
Inventory		(58,255)	(28,796)
Prepaid expenses		(21,229)	(8,891)
Accounts payable and accrued liabilities		333,196	46,416
Interest received, net		45,993	65,755
<b>Cash flows used in operating activities</b>		<b>(1,412,845)</b>	<b>(1,452,211)</b>
Financing activities:			
Payments on license fees payable		-	(488,798)
<b>Cash flows used in financing activities</b>		<b>-</b>	<b>(488,798)</b>
Decrease in cash		(1,412,845)	(1,941,009)
Effect of exchange rate differences on cash		(52,706)	27,735
Cash, beginning of year		2,942,968	4,856,242
<b>Cash, end of year</b>	<b>\$</b>	<b>1,477,417</b>	<b>\$ 2,942,968</b>

**Supplemental information**

Changes in liabilities arising from financing activities

Opening balances			
Current portion of license fee payable	\$	1,023,150	\$ 470,438
Non-current portion of license fee payable		-	940,875
	\$	1,023,150	\$ 1,411,313
Payments on license fees payable		-	(488,798)
Movement in exchange rates		(49,050)	100,635
Ending balance	\$	974,100	\$ 1,023,150

Ending balance:

Current portion of license fee payable	\$	974,100	\$ 1,023,150
	\$	974,100	\$ 1,023,150

See accompanying notes to the consolidated financial statements.

**1. Reporting entity:**

Waverley Pharma Inc. ("**Waverley**" or the "**Company**") was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016 and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). On October 24, 2017, the Company completed a qualifying transaction (the "**QT**") with Waverley Pharma Inc. ("**Old Waverley**") and the name of the Company was changed to Waverley Pharma Inc.

The Company is domiciled and incorporated in Canada and as of October 27, 2017, its Common Shares are listed on Tier 2 of the Exchange under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. Through its subsidiary, Waverley Pharma International Inc. ("**WPII**"), the Company has entered into a license, manufacture, supply, marketing and distribution agreement with Reliance Life Sciences Inc. ("**RLS**" or the "**Licensor**") by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the United Kingdom (the "**UK**") and Germany as well as a non-exclusive territorial license to market and sell Temozolomide in the UK. Additionally, the Company has acquired exclusive territorial licenses from RLS to two oncologic drugs currently under development, WAV-101 and WAV-102 in the United States and its territories (the "**USA**"), Canada, and the European Union (the "**EU**"), excluding the UK, where a non-exclusive territorial license has been acquired. These products are marketed in the EU through a subsidiary, Waverley Pharma Europe Limited ("**WPEL**").

**2. Basis of preparation:**

**(a) Statement of compliance**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

The consolidated financial statements were authorized for issue by the Board of Directors on May 11<sup>th</sup>, 2020.

**(b) Basis of presentation**

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss ("**FVTPL**") are measured at fair value.

**(c) Going concern**

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on financing provided from external sources to continue as a going concern. Management intends to raise capital in order to fund its operations, however, the outcome of these matters cannot be predicted at this time. In addition, there is uncertainty surrounding the potential impacts of COVID-19 and BREXIT on the Company and its subsidiaries. The global pandemic COVID-19 has resulted in uncertainties surrounding the internal shipment of products, fluctuations of foreign exchange, the impact on intangible assets, and the discount rate and market share assumption used in the 2020 budget. Due to the preventive measures taken by the UK and EU with respect to preventing the spread of the virus, the Company is unable, at this time, to assess the impact of both COVID-19 and BREXIT on the Company and its subsidiaries' operations. These material uncertainties exist that may cast significant doubt upon the Company's ability to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing liabilities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.



## **2. Basis of preparation (continued):**

### **(d) Functional and presentation currency**

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

### **(e) Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses during the period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas in which management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the determination of the Company's and its subsidiaries' functional currencies.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes to the consolidated financial statements for the year ended December 31, 2019:

- Note 3(e): Estimates of variable consideration receivable from revenue from contracts with customers
- Note 3(g): Estimates of the measurement and valuation of inventory
- Note 3(h): Estimates of the measurement and period of use of intangible assets
- Note 3(i): Estimates of accruals for research and development costs
- Note 3(l): Estimates and assessment of the recoverability of unused tax losses and deductible temporary differences
- Note 3(n): Estimates regarding assumptions used to estimate the value of share-based payment transactions and warrants

## **3. Significant accounting policies:**

### **(a) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities that are controlled by the Company. Control exists when the Company has power over the investee and the Company is exposed or has the rights to variable returns from the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control and include wholly owned subsidiaries, WPIL (Barbados) and WPEL (Ireland). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent account policies. All intercompany transactions and balances and unrealized gains and losses from intercompany transactions have been eliminated.

### 3. Significant accounting policies (continued):

#### (b) Foreign currency

Items included in the financial statements of each of the Company's consolidated subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of WPIL is the United States dollar ("USD"). The functional currency of WPEL was previously the Euro, until November 16, 2018, when management determined that the functional currency of WPEL is the British Pound ("GBP"). Management's assessment that the functional currency of WPEL has become the GBP is based on the nature of Company's operating activities in the UK and the impact of the GBP on the Company's selling prices for goods and services, guidance under UK regulatory agencies, as well as GBP denominated purchases of the Company's inventory. The Company has accounted for the change in the functional currency of WPEL prospectively from the date of the change.

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-monetary items that are not carried at fair value are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### (c) Financial instruments

##### (i) Financial assets

The Company initially recognizes a financial asset on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Upon recognition of a financial asset, classification is made based on the business model for managing the asset and the asset's contractual cash flow characteristics. The financial asset is initially recognized at its fair value and subsequently classified and measured as (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. Financial assets are classified as FVTPL if they have not been classified as measured at amortized cost or FVOCI. Upon initial recognition of an equity instrument that is not held-for-trading, the Company may irrevocably designate the presentation of subsequent changes in the fair value of such equity instrument as FVTPL.

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

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

The Company has classified all of its non-derivative financial assets as financial assets measured at amortized cost. The Company has not classified any financial assets as FVOCI or FVTPL.

##### **Financial assets measured at amortized cost**

A non-derivative financial asset is measured at amortized cost when both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any directly attributable transaction costs and measured at amortized cost using the effective interest method subsequent to initial recognition, loans and receivables are measured at amortized cost. Financial assets measured at amortized cost are comprised of cash and accounts receivable.

3. Significant accounting policies (continued):

(c) *Financial instruments (continued)*

(ii) *Financial liabilities*

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. All financial liabilities are measured at amortized cost, except for financial liabilities measured at FVTPL. A financial liability may no longer be reclassified subsequent to initial recognition. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire.

The Company has the following non-derivative financial liabilities which are classified as financial liabilities measured at amortized cost: accounts payable and accrued liabilities and license fee payable.

(d) *Impairment of financial assets*

Impairment of financial assets is recognized in accordance with a stage-based approach. The first stage begins upon recognition of a financial asset upon which time a loss allowance is recorded and 12-month expected credit losses are recognized in profit or loss. A financial asset is in the second stage of impairment when the credit risk increases significantly and is not considered low upon which time full lifetime expected credit losses are recorded in profit or loss. A financial asset is in the third stage of impairment when the credit risk increases to the point that it is credit impaired. Applicable interest revenue is calculated on the gross carrying amount of financial assets that are in the first or second stage of impairment and on the amortized carrying amount of a financial asset of a financial asset in the third stage of impairment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(e) *Revenue from contracts with customers*

The Company is in the business of providing human therapeutics with a focus on oncology. The Company holds tenders (each a "**Tender**") from the UK National Health Service (the "**UK NHS**") by which the Company supplies Capecitabine and Temozolomide to the UK NHS as agreed upon in the respective Tender. The Company has entered into a logistics and distribution agreement with a third-party consignor (the "**Consignor**"). Revenue from the sale of finished products is recognized upon removal of the goods from the consignment inventory to be distributed to the end-customer (a "**Consignment Sale**"), the point in time in which title and control of the goods pass from the Company to the Consignor.

Revenue from Consignment Sales is measured at the amount as awarded in the corresponding Tender in which the Consignment Sale occurs. The Company measures revenue at the amount in which it expects to be entitled to for providing finished products to the Consignor. The Company includes variable consideration in the transaction price to extent that it is highly probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, using the most likely amount technique. Consignment sales do not contain an element of financing as sales are made with a credit term of one month subsequent to the issuance of the invoice, which is consistent with market practice.

(f) *Cash equivalents*

The Company considers all liquid investments purchased with a maturity of three months or less at acquisition to be cash and cash equivalents, which are considered financial assets measured at amortized cost.

**3. Significant accounting policies (continued):**

**(g) Inventory**

The Company's inventory consists of finished commercial product which is available for sale and measured at the lower of cost and net realizable value.

The cost of inventory is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to the existing location and condition.

Inventory is written down to net realizable value when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

**(h) Intangible assets**

Intangible assets that are acquired separately are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Licenses are amortized on a straight-line basis over the term in which the license has been granted.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. The cost of servicing the Company's intangible assets are expensed as incurred.

The amortization method and amortization period of an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates in the consolidated statements of net loss and comprehensive loss.

**(i) Research and development**

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if the associated costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The Company has not capitalized any development costs to date.

**3. Significant accounting policies (continued):**

**(j) Impairment of non-financial assets**

The Company assesses at each reporting period whether there is an indication that a non-financial asset may be impaired. An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. Impairment losses are recognized in net loss and comprehensive loss and included in research and development expense if they relate to patents. 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 recoverable amount is the greater of the asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less cost to sell, an appropriate valuation model is used. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**(k) Government assistance**

Government assistance is recognized at fair value when there is reasonable assurance that the grant will be received and all conditions will be complied with. Government assistance is recognized in profit or loss on a systematic basis over the periods in which the related expenses are incurred. Government assistance that becomes receivable for previously incurred expenses is recognized in profit or loss in the period in which it becomes receivable.

**(l) Income taxes**

Income tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current taxes are the expected tax receivable or payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax receivable or payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3. Significant accounting policies (continued):**

**(m) Earnings per share**

The Company presents basic earnings per share ("**EPS**") data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for the Company's own shares held. Diluted EPS is computed similar to basic EPS except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting periods.

**(n) Share-based payments**

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to contributed surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and contributed surplus reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

**(o) New standard not yet adopted**

**Amendments to IFRS 3 – definition of a business:**

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations*, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The Company does not expect the amendments to have a significant impact on the consolidated financial statements upon adoption.

#### 4. New standards and interpretations:

Set out below is the impact of the mandatory adoption of new standards:

##### IFRS 16: Leases ("IFRS 16")

Effective January 1, 2019, the Company has adopted IFRS 16 retrospectively. Prior periods were not restated and no material changes resulted from adoption of this new standard. IFRS 16 requires lessees to recognize assets and liabilities for most leases, with exemptions available for leases with a term that is twelve (12) months or less, or where the underlying asset is of a low value. There were no quantitative impacts from adoption of IFRS 16.

Unless exempted, as noted above, upon inception of a lease, lessees will be required to recognize a right-of use ("ROU") asset, representing the Company's right to use the underlying asset and a lease liability representing its obligation for lease payments due to the lessor. ROU assets and the corresponding liability are initially measured at the present value of non-cancellable payments, including those made in accordance with an option period when the Company expects to exercise an option period to extend or not terminate a lease.

Upon transition to IFRS 16, the Company utilized a practical expedient permitting the Company to continue to account for an office space lease as a short-term lease, in which the lease term ends within twelve months of the date of the initial adoption of IFRS 16.

#### 5. Accounts receivable

As at December 31	2019	2018
Trade accounts receivable	\$ 668,705	\$ 273,702
Other accounts receivable	257,874	54,282
	\$ 926,579	\$ 327,984

As at December 31, 2019, there was one customer with amounts owing greater than 10% of the Company's trade accounts receivable which comprised the entire balance (2018 – one customer comprising greater than 10% of the Company's trade accounts receivable).

#### 6. Inventory

Inventory consists of finished product available for sale to customers. Inventory expensed as part of cost of goods sold during the year ended December 31, 2019 totaled \$1,108,339 (2018 – \$190,643).

#### 7. Intangible assets:

Cost	Licenses
Balance, December 31, 2017	\$ 1,756,300
Effects of movements in exchange rates	153,580
<b>Balance, December 31, 2018</b>	<b>\$ 1,909,880</b>
Acquisitions	36,189
Effects of movements in exchange rates	(91,560)
<b>Balance, December 31, 2019</b>	<b>\$ 1,854,509</b>

On August 30, 2017, the Company acquired exclusive territorial licenses from RLS to sell and market two generic cancer drugs in the USA, Canada and the EU (excluding the UK where a non-exclusive territorial license was acquired).

The Company has considered indicators of impairment as at December 31, 2019 and 2018 and did not record an impairment charge in either the year ended December 31, 2019 or 2018.

As the intangible assets relate to products under development, they are not currently available for use and as such, no amortization has been recorded during December 31, 2019.



**8. Capital stock:**

**(a) Authorized**

The Company has authorized share capital of an unlimited number of common voting shares.

**(b) Shares issued and outstanding**

Shares issued and outstanding are as follows:

	Number of Common Shares		Amount
Balance, December 31, 2017	54,000,000	\$	7,000,100
<b>Balance, December 31, 2018</b>	<b>54,000,000</b>	<b>\$</b>	<b>7,000,100</b>
<b>Balance, December 31, 2019</b>	<b>54,000,000</b>	<b>\$</b>	<b>7,000,100</b>

**(c) Stock option plan**

The Company has an incentive stock option plan whereby the Company may grant to directors, officers, employees and contractors incentive stock options (the “**options**”) to purchase voting common shares of the Company. The terms and conditions of each option granted under the stock option plan are determined by the Board of Directors. The number of common shares reserved for issuance upon the exercise of options is limited to a maximum of 10% of the issued and outstanding common shares of the Company at any time.

The fair value of the options issued during the year ended December 31, 2018 was estimated using the following Black-Scholes Model assumptions:

Expected life	5 years
Expected volatility	85.00%
Risk free rate	2.20% - 2.25%
Dividend yield	-
Underlying share price	\$0.260 - \$0.285
Strike price	\$0.260 - \$0.285

Expected volatility was estimated by reference to comparable listed entities. Stock-based compensation expense for the year ended December 31, 2019 totaled \$146,816 (2018 – \$252,383) was recorded in general and administrative expenses during the period. The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model. The expected life of stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.



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**8. Capital stock (continued):**

**(c) Stock option plan (continued)**

Changes in the number of options outstanding during the years ended December 31, 2019 and 2018 are as follows:

<b>Year ended December 31</b>	<b>2019</b>		<b>2018</b>	
	<b>Number of Options</b>	<b>Weighted average exercise price</b>	<b>Number of Options</b>	<b>Weighted average exercise price</b>
Balance, beginning of period	<b>1,750,000</b>	<b>\$ 0.39</b>	1,300,000	\$ 0.43
Granted	-	-	450,000	0.26
Balance, end of period	<b>1,750,000</b>	<b>\$ 0.39</b>	1,750,000	\$ 0.39
Options exercisable, end of period	<b>1,178,332</b>	<b>\$ 0.38</b>	633,333	\$ 0.36

The following is a summary of the 1,750,000 outstanding options issued under the stock option plan:

<b>Exercise price</b>	<b>Number outstanding</b>	<b>Weighted average remaining contractual life</b>	<b>Number exercisable</b>	<b>Weighted average remaining vesting period</b>
\$0.200	300,000	7.3 years	300,000	-
\$0.260	400,000	3.6 years	195,000	0.1 years
\$0.285	50,000	3.9 years	16,666	0.9 years
\$0.500	1,000,000	7.8 years	666,666	0.3 years
	<b>1,750,000</b>		<b>1,178,332</b>	

**(d) Warrants**

Changes in the number of warrants outstanding during the years ended December 31, 2019 and 2018 are as follows:

<b>Year ended December 31</b>	<b>2019</b>		<b>2018</b>	
	<b>Warrants</b>	<b>Weighted average exercise price</b>	<b>Warrants</b>	<b>Weighted average exercise price</b>
Balance, beginning of period	<b>970,000</b>	<b>\$ 0.44</b>	970,000	\$ 0.44
Expired <sup>(1) (2)</sup>	<b>(970,000)</b>	<b>(0.44)</b>		
Balance, end of period	-	\$ -	970,000	\$ 0.44

<sup>(1)</sup> On April 27, 2017, Buffalo granted 200,000 warrants to an agent as partial compensation for their role in a completed financing. The warrants converted into warrants of Waverley upon the completion of the QT. Each warrant entitles the holder to purchase one (1) common share of Waverley and were exercisable within 24 months of the date of grant at an exercise price of \$0.20 per common share. These warrants expired on April 27, 2019 without being exercised.

<sup>(2)</sup> On October 24, 2017, immediately prior to the QT, Buffalo granted 770,000 warrants to an agent as partial compensation for their role in a completed financing. The warrants converted into warrants of Waverley upon the completion of the QT. Each warrant entitles the holder to purchase one (1) common share of Waverley and were exercisable within 24 months of the date of grant at an exercise price of \$0.50 per common share. These warrants expired on October 24, 2019 without being exercised.

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**8. Capital stock (continued):**

**(e) Per share amounts**

The weighted average number of common voting shares outstanding for the years ended December 31, 2019 and 2018 was 54,000,000. Effects of dilution from 1,750,000 options were excluded from the calculation of weighted average shares outstanding for diluted EPS for the years ended December 31, 2019 and 2018 as they are anti-dilutive. Effects of dilution from 970,000 warrants were excluded from the calculation of weighted average shares outstanding for diluted EPS for the year ended December 31, 2018 as they were anti-dilutive.

**9. Income taxes:**

As at December 31, 2019 and 2018, the Company has unused tax losses and deductible temporary differences for which no deferred tax asset has been recognized as follows:

As at December 31	<b>2019</b>		<b>2018</b>	
Non-capital loss carryforwards	\$	<b>3,140,875</b>	\$	2,055,455
Deductible temporary differences		<b>51,496</b>		74,795

The reconciliation between income tax expense and the accounting loss multiplied by the combined federal and provincial income tax rate is as follows:

Year ended December 31	<b>2019</b>		<b>2018</b>	
Loss for the year				
Canada	\$	<b>(633,305)</b>	\$	(580,867)
Foreign		<b>(581,473)</b>		(839,841)
	\$	<b>(1,214,778)</b>	\$	(1,420,708)
Income tax recovery at Canadian statutory rate of 27.0%	\$	<b>(327,990)</b>	\$	(383,591)
Impact of lower tax rates in foreign jurisdictions		<b>92,405</b>		191,472
Non-deductible expenses		<b>40,263</b>		68,381
Taxable loss carry-forwards and deductible temporary differences not recognized		<b>195,322</b>		123,738
	\$	<b>-</b>	\$	-

The foreign tax rate differential is the difference between the Canadian federal and provincial statutory income tax rate and the tax rates in Barbados (2.50%) and Ireland (12.50%) that is applicable to income earned or losses incurred by the Company's subsidiaries.

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**9. Income taxes (continued):**

As at December 31, 2019, Canadian non-capital losses available for application in future years, are approximately as follows:

Year of expiry		
2033	\$	1,587
2034		3,516
2035		738,176
2036		28,321
2037		75,421
2038		313,828
2039		494,999
	\$	1,655,848

As at December 31, 2019, Barbados non-capital losses available for application in future years, are approximately as follows:

Year of expiry		
2024	\$	41,501
2025		717,634
2026		71,848
	\$	830,983

Additionally, Ireland non-capital losses available for application in future years are approximately \$656,155 and are estimated to be available for use for an indefinite period of time.

**10. Commitments and contingencies:**

**(a) Commitments**

As at December 31, 2019, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed. The Company, through a subsidiary, WPEL has committed to purchase inventory totaling £107,527 (CAD \$187,667), an office space lease at a rate of €1,095 (CAD \$1,597) per month for a term ending October 31, 2020, and a commitment of US \$7,630 (CAD \$9,910) for professional services to be provided to the Company. All commitments are current and expected to be settled within one year of December 31, 2019.

**(b) Contingencies**

*June 7, 2018 agreement*

On June 7, 2018, the Company through WPIL entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the UK and Germany and non-exclusive territorial license to market and sell Temozolomide in the UK. Additionally, the Company has assumed the obligations associated with binding contracts held by the Licensor for the supply of these products to the UK NHS. All inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

In connection with the signing of the June 7, 2018 agreement, the Company entered into a profit and/or loss sharing arrangement resulting in a portion of the net profits, after a margin deduction to the Company on the sales of Capecitabine and Temozolomide, to be paid to RLS. During the year ended December 31, 2019, the Company recorded a recovery of \$152,792 (2018 - \$5,652) in its statement of loss. At December 31, 2019, the Company elected to allow for the entire amount owed from the profit share agreement due to significant unforeseen delays caused by COVID-19.

## 10. Commitments and contingencies (continued):

### (b) Contingencies (continued)

#### *August 30, 2017 agreement*

On August 30, 2017, the Company acquired exclusive licenses to sell and market two generic cancer drugs from RLS, in the USA, Canada and EU (excluding the UK where a non-exclusive license was acquired). An up-front payment of US \$20,000 was made upon signing of the term sheet on July 5, 2017 and a US \$180,000 payment was made upon signing of the definitive documentation on August 30, 2017. Additional payments of US \$1,200,000 are payable upon certain development and approval based milestones being met and as at December 31, 2019, the Company has paid US \$650,000 of this amount with US \$750,000 (\$974,100 CAD) recorded as license fee payable. The amount recorded as license fee payable represents the remaining portion of the milestones which have not been met, the remaining milestone payments are recorded as current liabilities as they are expected to be met within one year of December 31, 2019. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. The term of the August 30, 2017 agreement is a period of ten (10) years, which begins when regulatory approval is obtained in the USA.

## 11. Related party transactions:

### (a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Financial Officer and Chief Executive Officer who held the positions until the end of the year were key management personnel during fiscal 2019. The former Chief Executive Officer (the "Former CEO") was considered key management during the year ended December 31, 2018, until his resignation, effective July 26, 2018. Compensation paid to CanAm (as defined below) for the services provided by the Former CEO was included within the compensation paid to key management personnel for the year ended December 31, 2018.

The following table details the compensation paid to key management personnel:

For the year ended December 31	2019	2018
Salaries, fees and short-term benefits	\$ 136,035	\$ 149,511
Stock-based compensation	128,356	228,877
	\$ 264,391	\$ 378,388

### (b) Transactions with related parties

Directors and key management personnel control 75% of the voting shares of the Company as at December 31, 2019 (2018 - 75%).

During the year ended December 31, 2019, the Company paid CanAm BioResearch Inc. ("CanAm"), a company controlled by a director of the Company a total of nil (2018 - \$79,743) for services provided by the Former CEO.

During the year ended December 31, 2019, the Company paid Genesys Venture Inc. ("GVI"), a company controlled by a director of the Company, a total of \$3,500 (2018 - \$9,450) for rental of office space and \$11,608 (2018 - \$11,018) for business administration services.

During the year ended December 31, 2019, the Company paid GVI Clinical Development Solutions ("GVI CDS") a company controlled by a director of the Company, \$1,444 (2018 - \$12,645) for regulatory affairs consulting.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2019, included in accounts payable and accrued liabilities is \$2,351 (2018 - \$2,987) payable to GVI and nil (2018 - \$282) payable to GVI CDS, which are unsecured, payable on demand and non-interest bearing.

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**12. Expenses by nature:**

Expenses incurred for the years ended December 31, 2019 and 2018 are as follows:

For the year ended December 31	2019		2018	
Salaries, fees and short-term benefits	\$	227,653	\$	209,964
Stock-based compensation		146,816		252,383
Total, employee benefits	\$	374,469	\$	462,347
General and administrative		733,698		176,329
Inventory material costs		1,108,339		174,417
Professional fees		267,208		156,308
Research and development		87,204		724,888
Selling and logistics		-		13,825
	\$	2,570,918	\$	1,708,114

**13. Financial instruments:**

**(a) Financial assets and liabilities**

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements as at December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Measured at amortized cost				
Cash	\$ 1,477,417	\$ 1,477,417	\$ 2,942,968	\$ 2,942,968
Accounts receivable	926,579	926,579	327,984	327,984
<b>Financial liabilities</b>				
Measured at amortized cost				
Accounts payable and accrued liabilities	\$ 574,295	\$ 574,295	\$ 241,099	\$ 241,099
Current portion of license fee payable	974,100	974,100	1,023,150	1,023,150

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that reflects the significance of the inputs used in measuring fair value. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

### 13. Financial instruments (continued):

#### (a) Financial assets and liabilities (continued)

The fair value hierarchy of financial instruments measured at fair value on the consolidated statements of financial position as at December 31, 2019 is as follows:

	Level 1	Level 2	Level 3
<b>Financial Liabilities</b>			
Current portion of license fee payable	\$ -	\$ -	\$ 974,100

The fair value hierarchy of financial instruments measured at fair value on the consolidated statements of financial position as at December 31, 2018 is as follows:

	Level 1	Level 2	Level 3
<b>Financial Liabilities</b>			
Current portion of license fee payable	\$ -	\$ -	\$ 1,023,150

The following table summarizes the changes in level 3 financial liabilities for the year ended December 31, 2019:

<b>For the year ended December 31</b>		
Opening balance, January 1, 2018	\$ -	
Transfer from level 2		940,875
Gains/(Losses) in Other Comprehensive Income		82,275
Closing balance, December 31, 2018	\$ 1,023,150	
Gains/(Losses) in Other Comprehensive Income		(49,050)
Closing balance, December 31, 2019	\$ 974,100	

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2.

#### (b) Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks; market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. Risk management is the responsibility of the Company, which identifies, evaluates and, where appropriate, mitigates financial risks.

##### (i) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and price risk with respect to equity prices.

(a) Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash and no interest-bearing debt and is not subject to significant interest rate risk.

### 13. Financial instruments (continued):

#### (b) Risks arising from financial instruments and risk management (continued)

##### (i) Market risk (continued)

(b) Foreign exchange risk is the risk that the fair value of future cash flows for financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risks through the following USD and GBP denominated financial assets and liabilities:

	December 31, 2019	December 31, 2018
<i>USD (Expressed in USD)</i>		
Cash	\$ 78,818	\$ 96,748
Accounts receivable	1,575	24,062
Accounts payable and accrued liabilities	(28,561)	(9,830)
Current portion of license fee payable	(750,000)	(750,000)
	\$ (698,168)	\$ (639,020)
<i>GBP (Expressed in GBP)</i>		
Cash	£ 10,959	£ -
Accounts receivable	534,194	160,268
Accounts payable and accrued liabilities	(249,910)	(87,060)
	£ 295,243	£ 73,208

Based on the above net exposures as at December 31, 2019, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the USD would result in a corresponding increase or decrease, respectively on the Company's net loss of approximately \$45,000 (2018 – \$44,000). Based on the above net exposures as at December 31, 2019, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the GBP would result in a corresponding decrease or increase, respectively on the Company's net loss of approximately \$39,000 (2018 – \$6,000).

(c) The Company is not exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

##### (ii) Credit risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Company's cash and accounts receivable. The carrying amounts of the financial assets represents the maximum credit exposure.

The Company will limit its exposure to credit risk on cash by placing these financial instruments with high-credit quality financial institutions and the Company believes it has no significant credit risk regarding cash.

The Company is subject to a concentration of credit risk related to its trade accounts receivable as 100% of the balance of amounts owing is from one customer. As at December 31, 2019, the Company offered its customer an extension on its outstanding balance due to unforeseen delays due to BREXIT and subsequently COVID-19. In addition, in relation to the profit share agreement with the Company's manufacturer, the Company elected to record bad debt expense of \$158,212 due to significant unforeseen delays in collections subsequent to 2019 (2018 – nil).

**13. Financial instruments (continued):**

***(b) Risks arising from financial instruments and risk management (continued)***

***(iii) Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. In the current year, the Company's interest income decreased due to a decreased cash balance at December 31, 2019 in comparison to the prior year. Although the decreases in both cash and interest income in the current year, the Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities and to ensure that it will have sufficient liquidity to meet its liabilities when due and to fund future operations.

The Company's accounts payable and accrued liabilities and current portion of license fee payable are due within the current operating period.

***(c) Capital management***

The Company defines its capital as cash and equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to advance the Company's business.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

**14. Determination of fair value:**

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following models. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

***(a) Intangible assets***

For the purposes of impairment testing, the fair value of intangible assets is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

***(b) Share-based payment transactions***

Upon initial recognition, the fair value of options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on comparable listed entities), expected life of the instruments, expected dividends and the risk-free interest rate (based on government bond yields). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

***(c) License fee payable***

The license fee payable was recorded at its fair value at the date in which the liability was incurred and subsequently measured at fair value at each reporting date. Estimating fair value for this liability requires determining timing and probability of the payment of each milestone due and making appropriate assumptions about them.



**15. Segmented information:**

The Company operates in one business segment, the biopharmaceutical industry. The Company's intangible assets are located in Barbados. All of the Company's revenue was generated from Consignment Sales within the UK, with one customer accounting for 100% of total revenue for the year ended December 31, 2019.

**16. Subsequent Events:**

**(a) Stock Options Granted**

On February 1, 2020, the Company granted 250,000 options to certain directors and officers of the Company with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.10 per common share and expiring February 1, 2025.

On March 2, 2020, the Company granted 25,000 options to an employee of the Company, with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.10 per common share and expiring March 2, 2025.

**(b) Considerations given to COVID-19**

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results, liquidity and condition of the Company and its operating subsidiaries in future periods.

**(c) Considerations given to BREXIT**

During June 2016, following a UK-wide referendum, it was decided that the UK would leave the EU in what became known as BREXIT. The agreement between both the EU and UK became ratified on January 30, 2020, and subsequently came into effect on January 31, 2020. Due to the COVID-19 pandemic and the subsequent emergency measures taken place to combat the spread of the virus, the impact of BREXIT on the Company's operations is unknown. At the time it is not possible to reliably estimate the impact of BREXIT on the Company's operations.