Financial Statements of

MARCAN PHARMACEUTICALS INC.

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Marcan Pharmaceuticals Inc.

Opinion

We have audited the financial statements of Marcan Pharmaceuticals Inc. (the Entity), which comprise:

- the balance sheet as at March 31, 2020
- the statement of operations for the year then ended
- the statement of deficit for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kanata, Canada

June 24, 2020

MARCAN PHARMACEUTICALS INC.

Balance Sheet

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 1,336,098	$ 905,950
Trade receivables (note 2)	14,059,432	11,617,457
Inventories (notes 3 and 10(b))	21,505,545	15,584,943
Prepaid expenses and deposits	7,475,894	4,517,529
Future income taxes (note 4)	8,256,101	6,208,747
	52,633,070	38,834,626
Property and equipment (note 5)	267,206	265,279
Goodwill	29,175,000	29,175,000
Intangible assets (note 6)	22,162,403	31,439,898
	$ 104,237,679	$ 99,714,803
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Line of credit (note 7)	$ 2,869,871	$ 1,810,695
Accounts payable and accrued liabilities (note 8)	28,254,522	23,257,777
Income taxes payable	2,391,151	1,401,777
Deferred revenue	-	11,667
Current portion of long-term debt (note 9)	8,820,000	-
Scheduled cash repayments for callable debt (note 9)	-	7,350,000
Notes payable to related parties (note 10(a))	19,909,760	-
	62,245,304	33,831,916
Callable debt (note 9)	-	24,991,703
	62,245,304	58,823,619
Long-term debt (note 9)	16,347,042	-
Notes payable to related parties (note 10(a))	-	18,520,706
Preferred shares (note 11)	45,322,292	41,202,084
	123,914,638	118,546,409
Shareholders' deficiency:		
Share capital (note 12)	12,880,001	12,880,001
Deficit	(32,556,960)	(31,711,607)
	(19,676,959)	(18,831,606)
Commitments (note 14)		
Contingent liabilities (note 15)		
Subsequent event (note 17)		
	$ 104,237,679	$ 99,714,803

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

MARCAN PHARMACEUTICALS INC.

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Sales (notes 10(b) and 13)	$ 92,461,583	$ 57,453,792
Cost of sales (note 10(b))	66,394,177	40,786,589
	26,067,406	16,667,203
Expenses:		
Salaries and benefits	4,399,977	3,469,691
Research and development	1,207,145	1,480,411
Testing	883,172	322,672
Professional fees	500,352	326,658
Advertising and promotions	478,418	356,544
Licensing and fees	277,166	194,007
Travel	276,351	191,500
Bank charges and interest	209,863	180,362
Rent	172,048	110,601
Office	143,570	145,339
Other	141,271	12,057
Amortization of property and equipment	89,976	67,190
Insurance	65,337	45,551
Data report fees	37,608	30,231
Phone	14,481	10,365
Bad debts (recovery)	(101,291)	46,122
	8,795,444	6,989,301
Earnings before the undernoted items and income taxes	17,271,962	9,677,902
Other income (expenses):		
Foreign exchange gain (loss)	240,243	(263,113)
Other	219,434	136,478
Commissions	-	(40,000)
Amortization on deferred financing fees	(175,339)	(175,339)
Finance cost on notes payables	(1,389,054)	(1,292,142)
Interest on debt	(1,695,834)	(1,963,431)
Finance cost on preferred shares	(4,120,208)	(3,745,644)
Amortization of intangible assets	(9,513,744)	(9,513,744)
	(16,434,502)	(16,856,935)
Earnings (loss) before income taxes	837,460	(7,179,033)
Income taxes:		
Current	3,730,167	1,414,985
Future reduction	(2,047,354)	(1,969,373)
	1,682,813	(554,388)
Net loss	$ (845,353)	$ (6,624,645)

See accompanying notes to financial statements.

MARCAN PHARMACEUTICALS INC.

Statement of Deficit

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Deficit, beginning of year	$ (31,711,607)	$ (25,086,962)
Net loss	(845,353)	(6,624,645)
Deficit, end of year	$ (32,556,960)	$ (31,711,607)

See accompanying notes to financial statements.

MARCAN PHARMACEUTICALS INC.

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net loss	$ (845,353)	$ (6,624,645)
Items not involving cash:		
Amortization of deferred financing fees	175,339	175,339
Amortization of intangible assets	9,513,744	9,513,744
Amortization of property and equipment	89,976	67,190
Finance cost on notes payable	1,389,054	1,292,142
Finance cost on preferred shares	4,120,208	3,745,644
Future income taxes	(2,047,354)	(1,969,373)
Increase in trade receivables	(2,441,975)	(732,803)
Increase in inventories	(5,920,602)	(7,715,476)
Increase in prepaid expenses and deposits	(2,958,365)	(1,156,482)
Increase in accounts payable and accrued liabilities	4,996,745	8,399,227
Increase in income taxes payable	989,374	1,401,777
Decrease in deferred revenue	(11,667)	(183,425)
	7,049,124	6,212,859
Financing activities:		
Net advances (repayment) of line of credit	1,059,176	(166,558)
Repayment of long-term debt	(7,350,000)	-
Repayment of callable debt	-	(5,250,000)
Decrease in due to related parties	-	(129,664)
	(6,290,824)	(5,546,222)
Investing activities:		
Purchase of property and equipment	(91,903)	(238,320)
Purchase of intangible assets	(236,249)	-
	(328,152)	(238,320)
Increase in cash	430,148	428,317
Cash, beginning of year	905,950	477,633
Cash, end of year	$ 1,336,098	$ 905,950

See accompanying notes to financial statements.

Marcan Pharmaceuticals Inc. (the "Company") is a private company incorporated on August 18, 2015 and subsequently amalgamated by articles of amalgamation on November 9, 2015, under the laws of Ontario. The Company markets pharmaceutical products to wholesale distributors and retailers.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Company's significant accounting policies are as follows:

(a) Inventories:

Inventories of raw materials and finished goods are measured at the lower of cost and net realizable value. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The costs are assigned using the weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A provision for obsolescence is calculated based on historical experience, unless new information indicates historical experience is not relevant for a product. Management reviews the provision annually to assess whether it is adequate.

(b) Property and equipment:

Property and equipment are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware	Declining balance	55%
Computer software	Declining balance	45%
Leasehold improvements	Straight-line	5 years

(c) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination.

1. Significant accounting policies (continued):

(c) Goodwill (continued):

Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying value of the reporting unit to which goodwill is assigned may exceed the fair value of the reporting unit. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. An impairment loss is not subsequently reversed.

(d) Intangible assets:

Intangible assets resulting from a business acquisition are initially recorded at fair value. Separately acquired intangible assets are measured at cost.

For intangible assets with definite lives amortization is provided on a straight-line basis over their respective estimated useful lives.

Asset	Rate
Brand	10 years
Client relationships	5 years
Development fees	10 years
Existing product rights	10 years
Product pipeline	10 years

The Company capitalizes development fees when management believes they will generate future benefits and that all the criteria for capitalization are met.

Expenditures incurred on internally generated intangible assets are expenses as incurred.

(e) Impairment of long-lived assets:

Long-lived assets, including property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undercounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

1. Significant accounting policies (continued):

(f) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. Refundable taxes that will be recovered on the payment of qualifying dividends are recognized as a future income tax asset.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(g) Revenue recognition:

Revenue is recognized when the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

Sales made under agreements allowing for rights of return are recognized at the time of sale to the customer or distributor. Estimated returns and allowances are recorded as a reduction of revenue at the time of revenue recognition. Estimates are based on historical experience and other relevant factors.

(h) Related party transactions:

Monetary and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations, except when the transaction is an exchange of a product or property held-for-sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

1. Significant accounting policies (continued):

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate on the year end date. Non-monetary assets and liabilities are translated into Canadian dollars at the historical exchange rate prevailing when the assets were acquired or liabilities incurred. Sales and expenses, with the exception of amortization, are translated at the rate prevailing at the date of the transaction. Amortization is translated at the same rates used in the translation of property and equipment. Translation gains or losses are included in the determination of income for the year.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the financial statements at fair value.

Financial instruments are adjusted by transaction costs incurred on the acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(k) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Areas of significant estimates include the allowance for doubtful trade receivables, the allowance for inventory obsolescence, the useful lives of intangible assets, accrual for professional allowances, allowances for sales returns, and future income tax asset. Actual results could differ from those estimates.

2. Trade receivables:

	2020	2019
Trade receivables	$ 14,280,418	$ 11,781,782
Trade and other receivables - parent company	42,322	260,267
Allowance for doubtful accounts	(263,308)	(424,592)
	$ 14,059,432	$ 11,617,457

3. Inventories:

	2020	2019
Finished goods	$ 22,567,514	$ 16,286,578
Raw materials	352,903	13,848
Allowance for inventory obsolescence	(1,414,872)	(715,483)
	$ 21,505,545	$ 15,584,943

4. Future income taxes:

Significant components of the Company's net future income tax asset are as follows:

	2020	2019
Property and equipment	$ 9,152	$ 27,135
Intangible assets	8,122,757	6,123,000
Deferred financing fees	(79,265)	(60,498)
Accounting reserves	203,457	119,110
	$ 8,256,101	$ 6,208,747

5. Property and equipment:

				2020		2019
		Cost		Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$	161,403	$	54,101	$ 107,302	$ 124,895
Computer hardware		84,391		48,665	35,726	20,658
Computer software		232,605		176,798	55,807	34,263
Leasehold improvements		98,011		29,640	68,371	85,463
	$	576,410	$	309,204	$ 267,206	$ 265,279

Cost and accumulated amortization at March 31, 2019 amounted to $484,507 and $219,228, respectively.

6. Intangible assets:

					2020	2019
		Cost		Accumulated amortization	Net book value	Net book value
Customer relationships	$	31,200,000	$	27,560,000	$ 3,640,000	$ 9,880,000
Product rights		25,322,388		11,071,955	14,250,433	16,522,798
Brands		4,008,000		1,770,200	2,237,800	2,638,600
Product pipeline		3,340,000		1,475,170	1,864,830	2,198,830
Product development		303,300		133,960	169,340	199,670
	$	64,173,688	$	42,011,285	$ 22,162,403	$ 31,439,898

Cost and accumulated amortization at March 31, 2019 amounted to $63,937,439 and $32,497,541, respectively.

7. Line of credit:

The Company has an authorized operating line of credit of $8,000,000 (2019 - $4,000,000) that is due on demand and bears interest at the bank's prime rate plus 0.35%, calculated and payable annually. It is secured by an Irrevocable Standby Letter of Credit from Axis Bank Limited. At March 31, 2020, the Company had $2,869,871 (2019 - $1,810,695) drawn under this facility.

8. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable and accrued liabilities	$ 14,586,746	$ 10,430,812
Accounts payable - companies under common control	12,898,611	12,377,494
Allowance for returned sales	767,763	449,471
Government remittances payable	1,402	-
	$ 28,254,522	$ 23,257,777

9. Long-term debt:

	2020	2019
Loan, due November 2022, interest of CDOR plus 3.35% payable quarterly, quarterly principal repayments representing 2% to 7% of the initial loan balance of $42,000,000 in accordance with the schedule.	$ 25,620,000	$ 32,970,000
Deferred financing fees	(452,958)	(628,297)
	25,167,042	32,341,703
Less cash repayments required within 12 months	8,820,000	7,350,000
	$ 16,347,042	$ 24,991,703

The loan is secured by a corporate guarantee of the Parent Company, all current and non-current assets of the Company and a pledge of equity shares of the Company.

Under the terms of the debt agreement, the Company must comply with certain covenants regarding the maintenance of minimum financial ratios. At March 31, 2020, the Company is in compliance with respect to the covenants.

Regular principal payments required on the loan for the next three years are due as follows:

2021	$ 8,820,000
2022	9,240,000
2023	7,560,000
	$ 25,620,000

10. Related party transactions:

(a) Due to related parties:

		2020		2019
Notes payable to related parties				
without interest, due November 2020	$	9,954,880	$	9,260,353
without interest, due November 2020		9,954,880		9,260,353
	$	19,909,760	$	18,520,706

Each note is payable in the amount of $10,400,000 on November 2020, for an aggregate payment of $20,800,000. The notes payable are recorded at their present value using an effective interest rate of 7.5% and are being accreted to the principal amount. Annual accretion expense totaled $1,389,054 (2019 - $1,292,142).

(b) Related party transactions:

The following table summarizes the Company's related party transactions for the period:

		2020		2019
Purchases (returns)				
Emcure Pharmaceuticals Inc. - parent company	$	17,484,715	$	13,498,580
Heritage Pharmaceuticals Inc.		-		(46,720)
Heritage Pharma Labs		1,145,300		528,681
Profit-share				
Emcure Pharmaceuticals Inc. - parent company		-		65,378
Sale of goods and services				
Heritage Pharma Labs		-		52,096
Reimbursement of expenses received				
Emcure Pharmaceuticals Inc. - parent company		78,138		28,011
Reimbursement of expenses paid				
Emcure Pharmaceuticals Inc. - parent company		119,710		176,607
Heritage Pharma Labs		56,308		40,834
Heritage Pharmaceuticals Inc		53,169		1,915

Unless specified, the related parties are companies under common control.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of considerations established and agreed to by the related parties.

11. Preferred shares:

	2020	2019
Authorized:		
48,000,000 Class "A" Preferred Shares, non-voting		
Issued:		
48,000,000 Class "A" Preferred Shares	$ 45,322,292	$ 41,202,084

The shares are redeemable at the option of the preferred shareholders and the Company after August 2021 with the option for the shareholders to waive both the shareholders' and the Company's rights of redemption for a period of one year. The shares have a redemption value based on EBITDA in the year of redemption to a maximum aggregate value of $48,000,000.

The Class "A" preferred shares are recorded at their present value using an effective interest rate of 10% and are being accreted to their maximum future redemption value of $48,000,000. Annual accretion expense totaled $4,120,208 (2019 - $3,745,644).

In the event of a liquidation, dissolution or winding up of the Company, the shares are redeemable based on EBITDA after November 2020.

The Company has noted the impact of COVID-19 on the preferred share valuation. The impact is not determinable at this time.

12. Share capital:

	2020	2019
Authorized:		
Unlimited Common Shares, voting, participating		
Issued:		
12,880,001 Common Shares	$ 12,880,001	$ 12,880,001

13. Sales:

Sales for the Company are broken out as follows:

	2020	2019
Retail sales	$ 31,949,216	$ 17,650,227
Hospital sales	13,534,164	7,382,510
Third party sales	32,603,007	23,809,671
Over the counter sales	14,375,196	8,611,384
	$ 92,461,583	$ 57,453,792

14. Commitments:

The Company leases office space under an operating lease which expires August 2023. The minimum aggregate rent payable for the next four years is:

2021	$ 176,499
2022	180,414
2023	187,125
2024	79,134
	$ 623,172

15. Contingent liabilities:

The Company, along with certain other generic drug companies, has entered into a tolling agreement, as requested by a defendant of a class action claim that was filed in 2015. The Company is not currently listed as a defendant in the class action claim. No provision has been made in the financial statements as the likelihood that the Company will incur a loss is undeterminable at this time.

16. Financial risks:

(a) Currency risk:

Approximately 19.0% (2019 - 14.9%) of the Company's sales are in foreign currency. Consequently, some assets, liabilities, revenue and expenses are exposed to foreign exchange fluctuations. The following amounts represent balances at year end denominated in USD which have been translated into Canadian dollars in the financial statements:

	2020	2019
Cash	$ 601,277	$ 319,161
Trade and other receivables	3,550,866	1,847,750
Accounts payable and accrued liabilities	(5,560,609)	(2,508,800)
Advances to vendors	5,130,135	2,724,331

(b) Credit risk:

The Company is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The Company monitors credit risk and credit reporting of customers as a regular basis. The maximum credit exposure is the fair value of accounts receivable.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(d) Interest rate risk:

The Company’s debt has a variable interest rate based on CDOR plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in the CDOR rate.

COVID-19 was declared a global pandemic in March 2020 and the related market volatility in interest rates, foreign currency exchanges, and credit risk, could have a negative effect on the Company's risk exposure in 2021.

17. Subsequent event:

In March 2020 COVID-19 was declared a pandemic by the World Health Organization. Subsequent to year-end governments worldwide, including the Canadian government, have enacted emergency measures to combat the spread of the virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time.

18. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.