2020
Annual Report

Nuvo Pharmaceuticals® Inc. d/b/a Miravo Healthcare™

Management's Discussion and Analysis (MD&A)

March 5, 2021 / The following information should be read in conjunction with Nuvo Pharmaceuticals Inc. d/b/a Miravo Healthcare (Miravo or the Company) Consolidated Financial Statements for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards (IFRS). Additional information about the Company, including the annual Consolidated Financial Statements and Annual Information Form (AIF), can be found on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

Unless otherwise noted, all amounts in the MD&A, the Consolidated Financial Statements and related Notes are expressed in thousands of Canadian dollars, except per share amounts.

This MD&A contains "forward-looking information". Please see the discussion under *Forward-looking Statements* below.

The Company uses non-IFRS financial performance measures in this MD&A. For a detailed reconciliation of the non-IFRS measures used in this MD&A, please see the discussion under *Non-IFRS Measures* below.

Key Developments

Three months ended December 31, 2020 include the following:

- Adjusted total revenue[(1)] was $17.3 million, a decrease of 12% compared to $19.6 million for the three months ended December 31, 2019.
- Adjusted EBITDA[(1)] was $6.2 million, a decrease of 28% compared to $8.6 million for the three months ended December 31, 2019.
- The Company's Commercial Business segment includes the promoted products - Blexten® and Cambia®. Revenue related to these products was $6.6 million, an increase of 28% compared to revenue of $5.1 million for the three months ended December 31, 2019. Canadian prescriptions of Blexten and Cambia increased by 28% and 16% compared to the three months ended December 31, 2019.
- Principal loan repayments of $3.7 million (US$2.8 million).

Year ended December 31, 2020 include the following:

- Adjusted total revenue[(1)] was $71.0 million, a decrease of 5% compared to $74.7 million for the year ended December 31, 2019.
- Adjusted EBITDA[(1)] was $28.4 million, an increase of 4% compared to $27.2 million for the year ended December 31, 2019.
- Revenue related to Blexten and Cambia was $25.2 million, an increase of 33% compared to revenue of $19.0 million for the year ended December 31, 2019. Canadian prescriptions of Blexten and Cambia increased by 35% and 17% compared to the year ended December 31, 2019.
- Principal loan repayments of $22.4 million (US$16.8 million).

(1) Non-International Financial Reporting Standards (IFRS) financial measure defined by the Company below.

Business Update

As a result of the COVID-19 pandemic, the Company has made changes to operations to promote a healthy and safe environment for its employees, while the business continues to supply global partners, wholesalers, pharmacies, and ultimately patients, with our healthcare products. The Commercial Business segment had continued organic growth of its key promoted products - Blexten and Cambia. The possibility of future supply disruptions resulted in forward buying linked to the COVID-19 pandemic, which increased revenue in the three

months ended March 31, 2020, reduced revenue in the three months ended June 30, 2020 and stabilized in the second half of the year, as the pandemic progressed and buying patterns returned to normal. It is anticipated that the COVID-19 pandemic may continue to impact the timing of revenue in future quarters and the Company will monitor market dynamics accordingly.

- In February 2021, Nuvo Pharmaceuticals (Ireland) DAC trading as Miravo Healthcare (Miravo Ireland) entered into an exclusive license and supply agreement (the License Agreement) with The Mentholatum Company for the exclusive right to commercialize the Resultz® formula and technology in the United States under the Mentholatum® brand. Miravo Ireland will earn revenue from The Mentholatum Company pursuant to the License Agreement. It is anticipated that The Mentholatum Company will launch Resultz during the summer of 2021. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

- In January 2021, the Company launched NeoVisc® + 2 mL and NeoVisc® ONE 4 mL in Canada. Both NeoVisc+ and NeoVisc ONE were issued a Medical Device License by Health Canada in September 2020 for the treatment of pain and improvement of joint functionality in patients affected by degenerative (age-related changes) or mechanical arthropathy (related to overuse) of the knee.

- In January 2021, the Company's exclusive partner for Pennsaid® 2% in Switzerland, Gebro Pharma AG (Gebro Pharma), launched the product into the Swiss market. The Company will begin to earn royalty revenue on net sales of Pennsaid 2% in Switzerland beginning in the first quarter of 2021.

- In December 2020, Miravo Ireland entered into an exclusive license and supply agreement with Orion Corporation (Orion) for the exclusive right to package, distribute, market and sell Suvexx® in Finland, Sweden, Denmark, Norway, Poland, Hungary, Latvia, Lithuania and Estonia (the Territory). Orion will be responsible for obtaining and maintaining the marketing authorizations for Suvexx in the Territory and will also manage all Territory specific commercial activities. Miravo Ireland will receive up to €1.7 million in upfront consideration, regulatory and sales-based milestone payments, as well as royalties on net sales of Suvexx in the Territory and revenue pursuant to the supply of product. Suvexx is currently manufactured by the Company's contract manufacturing partner in the United States.

- In December 2020, Nuvo Pharmaceuticals announced it would begin doing business as (d/b/a) Miravo Healthcare. The Company did not change its legal name or those of its wholly owned subsidiaries. The corporate rebranding reflects Nuvo's evolution into a growing, multi-asset Company, which was transformed by the acquisition of the Aralez Pharmaceuticals Canada business at the end of 2018. Miravo consolidates the Nuvo and Aralez brands under one common name.

- During the year ended December 31, 2020, the Company repaid $22.4 million (US$16.8 million) of the Deerfield Loans - $4.5 million (US$3.5 million) to discharge the Bridge Loan which bore interest at 12.5% and $17.9 million (US$13.3 million) against the Amortization Loan which bears interest at 3.5%. As of December 31, 2020, the total remaining principal balances of the Deerfield Loans consisted of $59.4 million (US$46.7 million) on the Amortization Loan and $66.8 million (US$52.5 million) on the Convertible Loan, both of which bear interest at 3.5%.

Total debt principal repayments

US$		**Bridge Loan**	**Amortization Loan**	**Convertible Loan**	**Total**
Interest rate	%	12.5	3.5	3.5	
Original Debt					
- cash value per Deerfield Facility Agreement	$	6,000	60,000	52,500	**118,500**
Principal payments					
- November 10, 2019 - December 31, 2020	$	(6,000)	(13,320)	-	**(19,320)**
Outstanding cash value of debt					
- December 31, 2020	**$**	**-**	**46,680**	**52,500**	**99,180**

The Company's outstanding loans, as shown below, carry coupon interest rates of 3.5% per annum.

Total debt as at December 31, 2020:

	Amortization Loan	Convertible Loan
US$	**$**	**$**
Debt - cash value per Deerfield Facility Agreement	**46,680**	**52,500**
IFRS present value adjustment (interest and principal)	**(6,254)**	**(11,458)**
Debt - IFRS value	**40,426**	**41,042**

	Amortization Loan	Convertible Loan
CDN$	**$**	**$**
Debt - cash value per Deerfield Facility Agreement	**59,433**	**66,843**
IFRS present value adjustment (interest and principal)	**(7,980)**	**(14,599)**
Debt - IFRS value	**51,453**	**52,244**

Non-IFRS Financial Measures

The Company discloses non-IFRS measures (such as adjusted total revenue, adjusted EBITDA and adjusted EBITDA per share) that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance and in interpreting the effect of the Aralez Transaction and the Deerfield Financing (described below) on the Company. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

Adjusted Total Revenue

The Company defines adjusted total revenue as total revenue, plus amounts billed to customers for existing contract assets, less revenue recognized upon recognition of a contract asset. Management believes adjusted total revenue is a useful supplemental measure to determine the Company's ability to generate cash from its customer contracts used to fund its operations.

The following is a summary of how adjusted total revenue is calculated:

	Three months ended December 31		Twelve months ended December 31	
	2020	2019	**2020**	2019
	$	$	**$**	$
Total revenue	**17,283**	19,593	**73,775**	69,546
Add:				
Amounts billed to customers for existing contract assets	**48**	51	**2,680**	5,178
Deduct:				
Revenue recognized upon recognition of a contract asset	**-**	-	**(5,496)**	-
Adjusted total revenue	**17,331**	19,644	**70,959**	74,724

Adjusted total revenue was $71.0 million for the year ended December 31, 2020 compared to $74.7 million for the year ended December 31, 2019. The $3.7 million decrease in adjusted total revenue in the current year was primarily attributable to a decrease of $5.4 million of revenue in the Production and Service Business segment, combined with a decrease of $2.2 million in the Licensing and Royalty Business segment, partially offset by a $3.9 million increase in revenue from the Commercial Business segment. The Commercial Business segment revenue had continued organic growth of its key promoted products - Blexten and Cambia. Adjusted total revenue for the three months ended December 31, 2020 decreased to $17.3 million compared to $19.6 million for the three months ended December 31, 2019. The

possibility of future supply disruptions resulted in forward buying linked to the COVID-19 pandemic, which increased revenue in the three months ended March 31, 2020, reduced revenue in the three months ended June 30, 2020 and stabilized in the second half of the year, as the pandemic progressed and buying patterns returned to normal. The COVID-19 pandemic may impact the timing of revenue in future quarters and the Company will continue to monitor market dynamics accordingly.

For the year ended December 31, 2020, adjusted revenue decreased in the Licensing and Royalty Business segment, primarily due to a reduction of $5.0 million in U.S. and rest of world net sales of Vimovo, partially offset by milestone and royalty revenues related to the Yosprala intellectual property in Japan of $3.0 million. The reduction in the U.S. net sales of Vimovo was due to the launch of a generic version of Vimovo in March 2020, which resulted in the Company no longer receiving a guaranteed minimum annual royalty payment of US$7.5 million (US$1.9 million per quarter) from Horizon Therapeutics plc (Horizon). The Company now receives a royalty of 10% based on U.S. net sales of Vimovo. The Production and Service Business segment revenue decreased as a result of a decrease in the Company's Pennsaid 2% product sales.

Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA as EBITDA, plus amounts billed to customers for existing contract assets, inventory step-up expenses, stock-based compensation expense, Other Expenses (Income), less revenue recognized upon recognition of a contract asset and other income. Management believes adjusted EBITDA is a useful supplemental measure to determine the Company's ability to generate cash available for working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following is a summary of how EBITDA and adjusted EBITDA are calculated:

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income (loss)	**2,399**	(418)	**(4,129)**	3,399
Add back:				
Income tax expense (recovery)	**(435)**	29	**1,152**	28
Net interest expense	**2,422**	3,142	**11,441**	10,305
Depreciation and amortization	**2,291**	2,312	**9,256**	9,546
EBITDA	**6,677**	5,065	**17,720**	23,278
Add back:				
Amounts billed to customers for existing contract assets[(1)]	**48**	51	**2,680**	5,178
Stock-based compensation	**53**	114	**261**	457
Deduct:				
Revenue recognized upon recognition of a contract asset[(1)]	**-**	-	**(5,496)**	-
Other Expenses (Income):				
Change in fair value of derivative liabilities[(2)]	**587**	401	**11,728**	(31,070)
Change in fair value of contingent and variable consideration	**208**	1,856	**1,794**	1,216
Impairment[(3)]	**1,583**	159	**1,583**	23,780
Foreign currency loss (gain)	**(2,586)**	(1,081)	**(1,145)**	(2,598)
Inventory step-up	**352**	875	**1,411**	4,979
Other losses (gains)	**(680)**	1,130	**(2,093)**	2,022
Adjusted EBITDA	**6,242**	8,570	**28,443**	27,242

(1) In the year ended December 31, 2020, the Company recognized a contract asset of $5.0 million, recorded net of withholding tax, representing the present value, discounted at 1.7%, relating to future milestone payments for the Yosprala product. The contract asset and associated revenue represents the present value of $5.0 million (US$3.6 million) in milestone payments, net of withholding tax, during the term of this license agreement, including $2.5 million (US$1.8 million), net of withholding tax, triggered by regulatory approval in Japan, which Miravo Ireland received in the year ended December 31, 2020 resulting in a reduction to the contract asset of $2.5 million. Miravo Ireland is also contractually entitled to receive a second US$1.8 million, net of withholding tax, milestone payment on May 31, 2022 provided the licensed intellectual property remains valid and enforceable.

(2) For the year ended December 31, 2020, an increase in the share price combined with an increase in the volatility, partially offset by a decrease in the risk-adjusted discount rate, resulted in an increase in value of the Company's derivative liabilities and the Company recognized a net non-cash charge of $11.7 million on the change in fair value of derivative liabilities.

(3) In the year ended December 31, 2020, the Company recognized a non-cash $1.6 million impairment charge related to certain intangible assets in the Commercial Business and Licensing and Royalty Business segments. In the year ended December 31, 2019, the Company recognized a $22.4 million impairment charge related to the Vimovo contract asset. In July 2019, the Company received notice that the the United States Court of Appeals for the Federal Circuit (Court of Appeals) had denied the Company's and Horizon's request to reconsider the May 2019 decision with respect to the validity of Vimovo Patent Nos. 6,926,907 and 8,557,285 in the U.S. In October, a petition to the Supreme Court of the United States (Supreme Court) was filed to request to have the decision of the Court of Appeals reconsidered. The Supreme Court denied that petition on January 13, 2020. On February 18, 2020, Dr. Reddy's Laboratories Inc. (Dr. Reddy's) second-filed Abbreviated New Drug Application (ANDA) for Vimovo in the U.S. received U.S. Food and Drug Administration (FDA) approval. Dr. Reddy's launched a generic version of Vimovo in the U.S. in March 2020. Miravo will continue to receive a 10% royalty on net sales of Vimovo by its U.S. partner, subject to a step-down provision in the event that generic competition achieves a certain market share. Miravo's US$7.5 million minimum annual royalty due for Vimovo net sales in the U.S. ceased with the launch of a generic Vimovo in the U.S. In the year ended December 31, 2019, the Company recorded impairment of $1.4 million of certain intangible assets in the Commercial Business and Licensing and Royalty Business segments.

Adjusted EBITDA was $28.4 million for the year ended December 31, 2020 compared to $27.2 million for the year ended December 31, 2019. The increase in the current year was primarily attributable to a decrease in sales and marketing and general and administrative (G&A) expenses (net of amortization), partially offset by a decrease in gross profit of $4.2 million (net of revenue recognized upon recognition of contract assets, amounts billed to customers for existing contract assets and inventory-step up expenses). The decline in gross profit was due to a decrease in adjusted total revenue, partially offset by an increase in gross margin percentage on product sales due to the receipt of the Canada Emergency Wage Subsidy and changes in product mix. Adjusted EBITDA for the three months ended December 31, 2020 was $6.2 million compared to $8.6 million for the three months ended December 31, 2019.

Adjusted EBITDA Per Common Share

The Company defines adjusted EBITDA per common share as adjusted EBITDA divided by the average number of issued and outstanding common shares of the Company as follows:

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
	$	$	**$**	$
Adjusted EBITDA	**6,242**	8,570	**28,443**	27,242
Adjusted EBITDA per common share	**0.55**	0.75	**2.50**	2.39
Average number of common shares outstanding - basic	**11,388**	11,388	**11,388**	11,388

Adjusted EBITDA per common share was $2.50 for the year ended December 31, 2020 compared to adjusted EBITDA per common share of $2.39 for the year ended December 31, 2019. Adjusted EBITDA per common share was $0.55 for the three months ended December 31, 2020 compared to adjusted EBITDA per common share of $0.75 for the three months ended December 31, 2019.

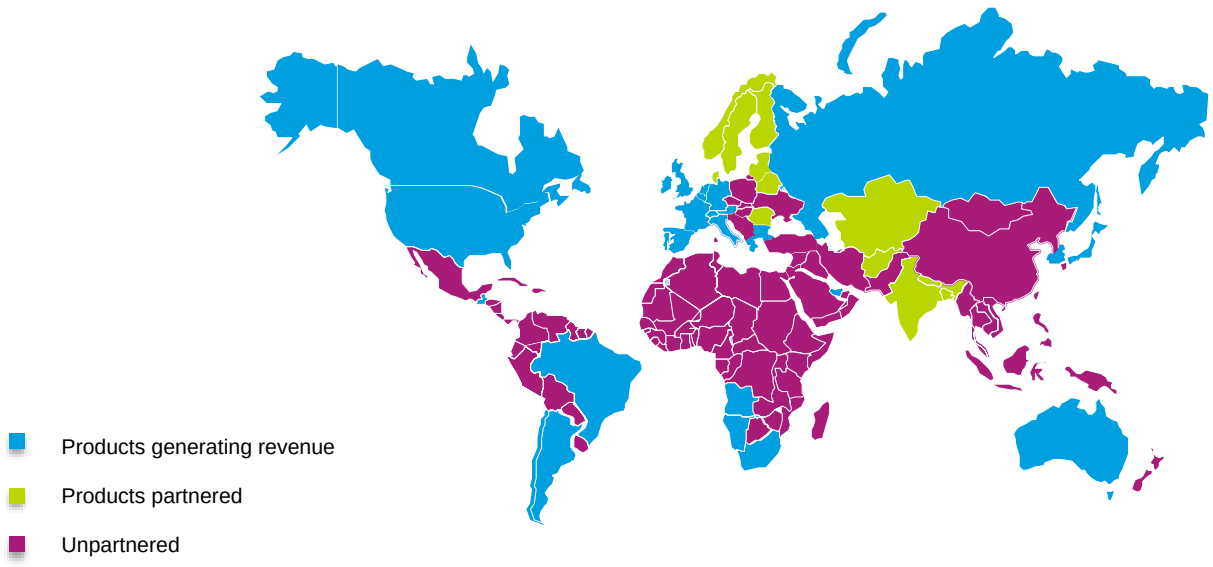
The Company's Business

Miravo is a publicly traded, Canadian healthcare company with global reach and a diversified portfolio of prescription and non-prescription products.

Miravo's head office is located in Mississauga, Ontario, Canada, its international operations are headquartered in Dublin, Ireland and its manufacturing facility is located in Varennes, Québec, Canada. The Varennes facility operates in a Good Manufacturing Practices (GMP) environment respecting the U.S., Canada and E.U. GMP regulations and is regularly inspected by Health Canada and the FDA.

As at December 31, 2020, the Company employed a total of 99 full-time employees across its manufacturing facility in Varennes, Québec, corporate office, Commercial Business in Mississauga, Ontario and international headquarters in Dublin, Ireland.

Global Presence



Intellectual Property
The Company protects its intellectual property by means of a combination of patents, data exclusivity, trademarks, rights, licenses, non-disclosure agreements and contractual provisions. Miravo currently holds over one hundred patents in a number of jurisdictions and has several patent applications pending. Additionally, the Company holds commercial licenses and cross-licenses to access third-party intellectual property.

Operating Segments
The Company has three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business.

Commercial Business
The Commercial Business segment is comprised of products commercialized by the Company in Canada. This segment includes the Company's promoted products - Blexten, Cambia, Suvexx, NeoVisc and the Canadian business for Resultz, as well as a number of mature assets. The Company sells its products to wholesalers who in turn supply retail and hospital pharmacies across Canada.

The Company's promoted products are primarily prescribed by Canadian healthcare professionals, including neurologists, pain and migraine specialists, dermatologists, allergists, primary care physicians, prescribing pharmacists and nurse practitioners, which the Company's in-house commercial team calls on and supports through various educational and product detailing activities. The mature assets are prescribed to treat patients across a broad range of therapeutic areas, including pain management, cardiology, gastroenterology, antihyperlipidemic/metabolic agents, dermatology and various non-prescription medicines. These mature assets receive no or minimal promotional support, and in some cases, have lost market exclusivity and now compete with generic alternatives.

The Company's approved products related to the Commercial Business segment are as follows:

Distributed by Miravo in Canada			
Product	**Description**	**Product**	**Description**
BLEXTEN	Second-generation antihistamine for the treatment of seasonal allergies and urticaria (hives).	CAMBIA	Treatment of mild to moderate acute migraine with or without aura in adults 18 years and older.
Suvexx	Treatment of moderate to severe acute migraine with or without aura in adults.	NeoVisc ONE NeoVisc+	Viscosupplementation for knee osteoarthritis
Resultz	Pesticide-free topical treatment of head lice infestations.	Bezalip® SR	Once daily treatment for patients with high cholesterol or high levels of triglycerides.
Fiorinal[1] Fiorinal®-C[1]	Relief for tension-type headaches.	Visken® Viskazide	Antihypertensive agent
MOVIPREP	Indicated for the cleansing of the colon in preparation for colonoscopy.	URACYST®	Instillation for the treatment of mild to severe GAG layer damage of the urinary bladder.
PegaLAX	Laxative for the treatment of occasional constipation and, irregularity.	Soriatane®	Once daily treatment for psoriasis and other keratinization disorders.
Mutaflor	Probiotic for the management and relief of chronic constipation and associated abdominal pain and cramps	COLLATAMP G	Fully resorbable, antibiotic, collagen "haemostat" for surgical implantation during surgery to reduce the risk of surgical site infections.
Proferrin	Iron supplement for the prevention and treatment of iron deficiency.		

1. Products are available in Canada and not promoted in any capacity

Production and Service Business

The Production and Service Business segment includes revenue from the sale of products manufactured by Miravo from its manufacturing facility in Varennes, Québec or contracted by Miravo Ireland from its international headquarters in Dublin, Ireland, as well as service revenue for testing, development and related quality assurance and quality control services provided by the Company. Key revenue streams in this segment, include Pennsaid 2%, Pennsaid and the bulk drug product for the Heated Lidocaine/Tetracaine (HLT) Patch, as well as ad hoc service agreements for testing, development and related quality assurance and quality control services.

The Company currently supplies Pennsaid 2% to Horizon for the U.S. market and to Gebro Pharma for the Swiss market, and is actively engaged in ongoing partnering efforts for Pennsaid 2% in the rest of the world. The Company will continue to focus on identifying license partners for Resultz in key unpartnered territories around the world, which will result in production revenue. Miravo believes its Production and Service Business segment has continued growth potential, as Miravo has the in-house capabilities and capacity to produce Pennsaid 2% and Resultz for new license partners.

Licensing and Royalty Business

The Licensing and Royalty Business segment includes the revenue generated from the licensing of the intellectual property and the ongoing royalties received under these exclusive licensing agreements. The Company's Licensing and Royalty Business segment revenue is primarily generated from:

- Net sales of Vimovo in the U.S. through the Company's partner Horizon;
- Net sales of Vimovo in various ex-U.S. markets, including Europe, Canada and South America by the Company's partner Grunenthal GmbH (Grunenthal);
- Net sales of Resultz in select European markets by the Company's various European license partners (See table below for full details); and

- Net sales of Cabpirin related to the licensing of the Company's Yosprala intellectual property in the Japanese market.

The Company's out-licensing efforts for Pennsaid 2%, Resultz, Suvexx and Yosprala are targeted on all markets that remain unlicensed with a particular focus on Europe, the Middle East and Asia. The Company enters into exclusive, long-term licensing agreements with strategic partners in specific geographies. Miravo believes its Licensing and Royalty Business segment has continued growth potential, as Pennsaid 2%, Resultz and Suvexx products are protected by patents that provide licensees with market exclusivity and protection from generic competition, as well as favourable product profiles (See *Commercial Products* below).

The Company's approved products related to the Production and Service Business and Licensing and Royalty Business are segmented as follows:

Product	Description	Segments	Licensee or Distributor	Territories
Resultz FullMarks LAUSBUB®	Pesticide-free topical treatment of head lice infestations.	Production and Service Business Licensing and Royalty Business	Fagron Belgium NV Heumann Pharma GmbH & Co. Generica KG Reckitt Benckiser (Brands) Limited Sato Pharmaceutical Co., Ltd. The Mentholatum Company	
Treximet sumatriptan/naproxen sodium Suvexx®	Treatment of acute migraine	Licensing and Royalty Business	Currax Holdings USA LLC Orion Corporation	
PENNSAID® (diclofenac sodium topical solution) 2% w/w	Topical treatment of osteoarthritic pain in a more convenient format.	Production and Service Business Licensing and Royalty Business	Horizon Therapeutics plc Paladin Labs Inc. Sayre Therapeutics PVT Ltd Gebro Pharma AG	
PENNSAID	Topical treatment of osteoarthritic pain.	Production and Service Business Licensing and Royalty Business	Paladin Labs Inc. Vianex S.A. Recordati S.p.A.	
VIMOVO®	Oral treatment for relief of arthritis symptoms with a reduced risk of developing gastric ulcers.	Licensing and Royalty Business	Horizon Therapeutics plc Grunenthal GmbH	
SYNERA® (lidocaine and tetracaine) Topical Patch RAPYDAN®	Topical patch used to help prevent pain associated with needle sticks and other superficial skin procedures.	Licensing and Royalty Business Production and Service Business	Galen US Incorporated Eurocept International B.V.	
Yosprala™ (aspirin and omeprazole)	Once daily treatment to help in the prevention of heart attacks and strokes with a reduced risk of developing gastric ulcers.	Licensing and Royalty Business	Genus Lifesciences Inc. Takeda Pharmaceutical Company Limited	
URACYST®	Instillation for the treatment of mild to severe GAG layer damage of the urinary bladder.	Licensing and Royalty Business	Aspire Pharmaceuticals	

The Aralez Transaction

On December 31, 2018, the Company announced the acquisition of a portfolio of more than 20 revenue-generating products from Aralez Pharmaceuticals Inc. (Aralez) (the Aralez Transaction). The Aralez Transaction included the acquisition of Aralez Pharmaceuticals Canada Inc. (Aralez Canada), a growing business that included the products Cambia, Blexten, as well as the Canadian distribution rights to Resultz, and provides a platform for the Company to acquire and launch additional commercial products in Canada. The Company also acquired the worldwide rights and royalties from licensees for Vimovo, Yosprala and Suvexx/Treximet.

The aggregate purchase price paid by the Company to Aralez for the Aralez Transaction was $146.4 million (US$110 million, subject to certain working capital and indebtedness adjustments). The Company satisfied the purchase price through the Deerfield Financing (See *The Deerfield Financing* below).

Growth Strategy

The Company intends to further expand its Canadian and international businesses through continued organic growth of existing products, targeted in-licensing and acquisition opportunities, which leverage the Company's in-house commercial, scientific and manufacturing infrastructure and out-licensing of distribution rights for Miravo's proprietary products - Pennsaid 2%, Resultz, Suvexx and Yosprala in global markets. The Company plans to continue to build on its commercial presence in Canada and will look to utilize a network of license and distribution partners for its products in global markets. The Company targets global and regional pharmaceutical companies that have therapeutic area expertise and established commercial infrastructure as potential license and distribution partners.

To achieve its strategic objectives, the Company focuses on leveraging its competitive advantages through its in-house capabilities:

- Attracting, developing, pursuing and consummating transactions to in-license or acquire accretive, growth-oriented products;
- Creating intellectual property portfolios that provide defense against generic threats;
- Launching new products in Canada;
- Managing complex relationships with regulators to register new products in Canada, the U.S., Europe and other global markets; and
- Developing innovative processes to enhance the quality and efficiency of manufacturing operations.

Commercial Products

Products Commercialized by Miravo

Blexten
Blexten is a second-generation antihistamine drug for the symptomatic relief of allergic rhinitis and chronic spontaneous urticaria. Blexten exerts its effect through its highly selective inhibition of peripheral histamine H1 receptors and has an efficacy comparable to cetirizine and desloratadine. In comparative studies, Blexten demonstrated somnolence rates similar to placebo representing a potentially non-sedating effect at therapeutic doses. It was developed in Spain by Faes Farma, S.A. (Faes). Bilastine, (the active ingredient in Blexten), is approved in Canada and over 100 countries worldwide, including Japan and most European countries. In 2014, Miravo entered into an exclusive license and supply agreement with Faes for the exclusive right to sell bilastine in Canada, which is sold under the brand name Blexten. The exclusive license is inclusive of prescription and non-prescription rights for Blexten, as well as adult and pediatric presentations in Canada.

In April 2016, Health Canada approved Blexten (bilastine 20 mg oral tablet) for the treatment of the symptoms of seasonal allergic rhinitis and chronic spontaneous urticaria (such as itchiness and hives). Blexten was commercially launched in Canada in December 2016. Miravo is contracted to pay additional milestone payments of approximately €0.3 million and $0.8 million to Faes if certain sales targets or other milestone events are achieved over the life of the license and supply agreement term.

Cambia
Cambia (diclofenac potassium for oral solution) is a patent protected, nonsteroidal anti-inflammatory drug (NSAID) and is currently the only prescription NSAID approved and available in Canada for the acute treatment of migraine with or without aura in adults 18 years of age or older. In 2010, Miravo signed a license agreement with Nautilus Neurosciences, Inc. (Nautilus) for the exclusive rights to develop, register, promote, manufacture, use, distribute, market and sell Cambia in Canada. Since 2011, three separate amendments to the license agreement have been executed. The license was assigned by Nautilus to Depomed, Inc. (Depomed) in December 2013. Depomed has subsequently been renamed Assertio Therapeutics Inc. The Company pays a tiered royalty on net sales of Cambia and future sales-based milestone payments of up to US$5.3 million may be payable over time.

Cambia was approved by Health Canada in March 2012 and was commercially launched to specialists in Canada in October 2012 and broadly to all primary care physicians in February 2013.

Suvexx
Suvexx (sumatriptan/naproxen sodium) is a patent protected migraine medicine that was developed by Aralez's wholly owned subsidiary POZEN, Inc. (POZEN) in collaboration with Glaxo Group Limited, d/b/a GSK (GSK). The product is formulated with POZEN's patented technology (now owned by Miravo) of combining a triptan, sumatriptan 85 mg, with an NSAID, naproxen sodium 500 mg and GSK's RT Technology in a single tablet. The Company received Health Canada approval for Suvexx in the first quarter of 2020 and the product was commercially launched in Canada in September 2020.

NeoVisc Line Extension
In January 2020, Miravo closed a licensing transaction bringing new line extensions to the NeoVisc Canadian business. NeoVisc is an injectable viscosupplement used by orthopedic surgeons, sports medicine physicians and healthcare practitioners to replenish synovial fluid in the joints of patients with osteoarthritis. NeoVisc ONE is a low single-dose injection volume (only 4ml) viscosupplement. The reduction of injection volume makes administration of NeoVisc ONE easier for healthcare professionals and more comfortable for patients. Neovisc+ consists of a three (2 ml) injection dosing system that is administered to a patient over the course of a few weeks. In some patients, a three dose treatment may provide longer relief. Both NeoVisc+ and NeoVisc ONE were issued a Medical Device License by Health Canada in September 2020. The new and improved NeoVisc formats launched in Canada in January 2021.

Other Commercialized Products in Canada
The Company also markets: Resultz®, Bezalip® SR, Proferrin®, Fiorinal®[1], Fiorinal® C[1], Viskazide®, Visken®, Collatamp® G, PegaLAX®, Mutaflor®, MoviPrep®, Uracyst® and Soriatane™.

1. Products are available in Canada and not promoted in any capacity

Fiorinal
On October 30, 2019, Miravo received an amended application for authorization to institute a class action against a group of 34 defendants, including Miravo, that manufacture, market, and/or distribute opioids in Québec. The claim is for $30, plus interest for compensatory damages for each class member, $25.0 million from each defendant for punitive damages and pecuniary damages for each class member. The proposed class is all natural persons in Québec who have been prescribed and consumed any one or more of the opioids manufactured, marketed, distributed and/or sold by the defendants between 1996 and the present day and who suffer or have suffered from opioid use disorder. The proposed class includes any direct heirs of any deceased persons who met the above-description and excludes certain persons subject to a prior settlement agreement. The amended application is currently pending before the Superior Court in the Province of Québec. The Company has never promoted or made any claims outside of the approved Health Canada label and believes that the claim is without merit and intends to vigorously defend the matter.

Products Out-licensed and/or Manufactured by Miravo

Pennsaid 2%
Pennsaid 2% is a follow-on product to original Pennsaid (described below). Pennsaid 2% is a topical pain product that combines a dimethyl sulfoxide (DMSO) based transdermal carrier with 2% diclofenac sodium, a leading NSAID, compared to 1.5% for original Pennsaid. Pennsaid 2% is more viscous, is supplied in a metered dose pump bottle and has been approved in the U.S. for twice daily dosing compared to four times a day for Pennsaid. This provides Pennsaid 2% with potential advantages over Pennsaid and other competitor products and with patent protection. Miravo owns the worldwide rights to Pennsaid 2%, excluding the U.S. rights owned by Horizon.

United States
Pennsaid 2% was approved on January 16, 2014 in the U.S. and launched by the Company's then U.S. Pennsaid and Pennsaid 2% licensee, Mallinckrodt Inc. (Mallinckrodt) in February 2014 for the treatment of pain of osteoarthritis of the knee. In September 2014, the Company reached a settlement related to its litigation with Mallinckrodt. Under the terms of the settlement agreement, Mallinckrodt returned the U.S. sales and marketing rights to Pennsaid and Pennsaid 2% to Miravo. In October 2014, Miravo sold the U.S. rights to Pennsaid 2% to Horizon for US$45.0 million. Under the terms of this agreement, the Company earns revenue from the manufacturing and sale of Pennsaid 2% to Horizon.

Miravo records revenue from Horizon when it ships Pennsaid 2% commercial bottles and product samples to Horizon for the U.S. market. The Company earns product revenue from Horizon pursuant to a long-term, exclusive supply agreement, as well as contract service revenue.

Rest of World

Gebro Pharma has the exclusive rights to register, distribute, market and sell Pennsaid 2% in Switzerland and Liechtenstein. In January 2020, Gebro Pharma received marketing authorization for Pennsaid 2% from Swissmedic, the overseeing Swiss regulatory authority. Gebro Pharma launched Pennsaid 2% in Switzerland in January 2021. The Company is eligible to receive milestone payments and royalties on net sales of Pennsaid 2% in Switzerland and Liechtenstein and will earn product revenue from the supply of Pennsaid 2% to Gebro Pharma on an exclusive basis from its manufacturing facility in Varennes, Québec.

Sayre Therapeutics PVT Ltd (Sayre Therapeutics) has the exclusive rights to distribute, market and sell Pennsaid 2% in India, Sri Lanka, Bangladesh and Nepal. Sayre Therapeutics filed their application for regulatory approval with the Drug Controller General of India in December 2017. In September 2019, the Company received notice that the Drug Controller General of India had approved the sale of Pennsaid 2% as a prescription medication. The Company and Sayre are evaluating commercial launch options in India as a result of changing market conditions, including increased competition and lower market pricing. The Company is eligible to receive milestone payments and royalties on net sales of Pennsaid 2% in India, Sri Lanka, Bangladesh and Nepal and will earn product revenue from the supply of Pennsaid 2% to Sayre Therapeutics on an exclusive basis from its manufacturing facility in Varennes, Québec, if Pennsaid 2% is launched in these territories.

Paladin Labs Inc. (Paladin) has exclusive rights to market and sell Pennsaid 2% in Canada. Pennsaid 2% has not been submitted for approval and is not commercially launched in Canada.

Unlicensed Territories

The Company is pursuing Pennsaid 2% registrations in select European territories that will accept the existing clinical and technical data package. The Company has submitted its regulatory dossier for Pennsaid 2% to the Austrian Agency for Health and Food Safety acting as the Reference Member State (RMS). As part of this decentralized procedure, Miravo also submitted its Pennsaid 2% dossier to the Concerned Member States (CMS) of Greece and Portugal. As of December 31, 2020, the Company withdrew the marketing authorization application for Pennsaid 2% for commercial reasons.

Pennsaid

Pennsaid, the Company's first commercialized topical pain product, is used to treat the signs and symptoms of osteoarthritis of the knee. Pennsaid is a combination of a DMSO-based transdermal carrier and 1.5% diclofenac sodium and delivers the active drug through the skin at the site of pain. While conventional oral NSAIDs expose patients to potentially serious systemic side effects such as gastrointestinal bleeding and cardiovascular risks, Miravo's clinical trials suggest that some of these systemic side effects occur less frequently with topically applied Pennsaid. Pennsaid is currently sold in Canada by Paladin, in Italy by Recordati S.p.A. and in Greece by Vianex S.A.

Resultz

United States

The Company acquired the U.S. product and intellectual property rights from Piedmont Pharmaceuticals LLC (Piedmont) in January 2018. Resultz was cleared as a 510 (k) Exempt class 1 medical device for the treatment of lice by the FDA in May 2017 and has not yet been commercially launched in the U.S. In February 2021, Miravo Ireland entered into an exclusive License Agreement with The Mentholatum Company for the exclusive right to commercialize the Resultz formula and technology in the United States under the Mentholatum® brand. Miravo Ireland will earn revenue from The Mentholatum Company pursuant to the License Agreement. It is anticipated that The Mentholatum Company will launch Resultz during the summer of 2021. The COVID-19 pandemic has created some uncertainty regarding the traditional seasonal demand for head lice treatments. Due to physical distancing regulations currently being enforced, many children in the U.S. are not physically attending school or daycare and are not able to participate in group activities, the traditional environments where head lice outbreaks occur. The License Agreement has been structured with an 18-month term, which will allow both parties to reassess market dynamics related to the COVID-19 pandemic and to determine if a longer-term agreement is warranted in a post-pandemic commercial environment. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

Rest of World (excluding the U.S. and Canada)

The Company acquired the global, ex-U.S. product and intellectual property rights from Piedmont in December 2017. Resultz is approved and marketed in France, Spain, Portugal, Belgium, Netherlands, Germany, Ireland, the United Kingdom, Russia and Australia through a network of existing license agreements and global licensees which include Reckitt Benckiser, Fagron Belgium NV (Fagron) and Heumann Pharma GmbH & Co. (Heumann). Resultz is

also pending registration in Japan, where the local license is held by Sato Pharmaceutical Co. Ltd. Resultz is a CE marked, Class I medical device for the treatment of lice, which does not require a prescription. The Company recognized a contingent and variable consideration related to the ex-U.S. acquisition of Resultz for $2.2 million as at December 31, 2020.

Fagron has the exclusive rights to register, distribute, market and sell Resultz in Belgium, the Netherlands and Luxembourg (BeNeLux) as a Class I medical device for the human treatment of head lice infestation. Resultz is cleared for marketing in BeNeLux. Miravo Ireland received upfront consideration, is eligible to receive royalties on net sales of Resultz in BeNeLux and will earn revenue from Fagron pursuant to an exclusive supply agreement. Fagron launched Resultz in BeNeLux in the second half of 2018. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

Heumann has the exclusive rights to distribute, market and sell Resultz in Germany. Resultz is considered a Class I medical device in Germany. Miravo Ireland received upfront consideration, is eligible to receive milestone payments and royalties on net sales of Resultz in Germany and will earn revenue from Heumann pursuant to an exclusive supply agreement. Heumann launched Resultz in Germany in October 2020. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

Vimovo

Vimovo (naproxen/esomeprazole magnesium) is the brand name for a proprietary fixed-dose combination of enteric-coated naproxen, a pain-relieving NSAID, and immediate-release esomeprazole magnesium, a proton pump inhibitor, in a single delayed-release tablet. POZEN developed Vimovo in collaboration with AstraZeneca. On April 30, 2010, the FDA approved Vimovo for the relief of the signs and symptoms of OA, rheumatoid arthritis, and ankylosing spondylitis and to decrease the risk of developing gastric ulcers in patients at risk of developing NSAID-associated gastric ulcers. Vimovo is currently commercialized in the U.S. by Horizon and by Grunenthal in various rest of world territories, including Canada, Europe and select additional countries.

United States

Under the terms of the license agreement with Horizon, Miravo Ireland currently receives a 10% royalty on net sales of Vimovo sold in the U.S. A guaranteed minimum annual royalty payment of US$7.5 million (US$1.9 million per quarter) ceased when Dr. Reddy's launched a generic version of Vimovo in the U.S. during the first quarter of 2020. Horizon's royalty payment obligation with respect to Vimovo expires on the later of (a) the last to expire of certain patents covering Vimovo, and (b) ten years after the first commercial sale of Vimovo in the U.S. which occurred in 2010. The 10% royalty on net sales of Vimovo by its U.S. partner is subject to a step-down provision in the event that generic competition achieves a certain market share. Horizon and Miravo Ireland have reached litigation settlements with five other generic companies: (i) Teva Pharmaceuticals Industries Limited (formerly known as Actavis Laboratories FL, Inc., which itself was formerly known as Watson Laboratories, Inc. - Florida) and Actavis Pharma, Inc. (collectively, Actavis Pharma) (ii) Lupin; (iii) Mylan Pharmaceuticals Inc., Mylan Laboratories Limited, and Mylan Inc. (collectively, Mylan); Ajanta Pharma Ltd. and Ajanta Pharma USA, Inc. (collectively, Ajanta); and Anchen Pharmaceuticals, Inc. (Anchen). Certain of these settlement agreements include provisions allowing generic versions of Vimovo to enter the U.S. market as a consequence of Dr. Reddy's launching their generic version of Vimovo in March 2020. When the Company acquired the Vimovo patents as part of the Aralez Transaction, the Company anticipated that the US$7.5 million (US$1.9 million per quarter) annual minimum royalty payments would cease in 2022.

Dr. Reddy's launch of a generic version of Vimovo is "at risk" to Dr. Reddy's, as there is pending patent infringement litigation in the United States District Court for the District of New Jersey (the Court) against Dr. Reddy's in the U.S., involving issued U.S. Patent Nos. 8,858,996 and 9,161,920 (the '996 and '920 Patents) owned by Miravo Ireland that cover Vimovo. In this litigation, Dr. Reddy's is arguing that these issued patents are invalid and unenforceable. In October 2020, Dr. Reddy's filed a motion for summary judgment requesting that the Court find the '996 and '920 Patents invalid. The Court denied this motion in February 2021, and as a result, the pending litigation against Dr. Reddy's invoivng the '996 and '920 Patents continues. In the event Miravo Ireland's patents are found by the Court to be valid and infringed, Miravo Ireland and Horizon may be entitled to damages from Dr. Reddy's.

Rest of World (excluding the U.S)

Grunenthal holds the rights to commercialize Vimovo outside of the U.S. and Japan and pays Miravo Ireland a 10% royalty on net sales. Grunenthal's royalty payment obligation with respect to Vimovo expires on a country-by-country basis upon the later of (a) expiration of the last-to-expire of certain patent rights related to Vimovo in that country, and (b) ten years after the first commercial sale of Vimovo in such country. The royalty rate may be reduced to the mid-single digits in the event of a loss of market share as a result of certain competing products. Canada is the only country

where a generic naproxen/esomeprazole magnesium product was approved and commercialized in 2017, prior to the Company purchasing this royalty stream.

Suvexx/Treximet
Suvexx/Treximet (sumatriptan/naproxen sodium) is a migraine medicine that was developed by the Aralez wholly owned subsidiary POZEN in collaboration with GSK. The product is formulated with POZEN's patented technology (now owned by Miravo) of combining a triptan, sumatriptan 85 mg, with an NSAID, naproxen sodium 500 mg and GSK's RT Technology in a single tablet.

United States
In 2008, the FDA approved Treximet (the U.S. brand name) for the acute treatment of migraine attacks with or without aura in adults. Treximet is currently commercialized in the U.S. by Currax Holdings USA LLC.

Rest of World (excluding the U.S)
Orion holds the exclusive license and supply agreement (the License Agreement) for the right to package, distribute, market and sell Suvexx in Finland, Sweden, Denmark, Norway, Poland, Hungary, Latvia, Lithuania and Estonia (the Territory). Orion will be responsible for obtaining and maintaining the marketing authorizations for Suvexx in the Territory and will also manage all Territory specific commercial activities. Miravo Ireland will receive up to €1.7 million in upfront consideration, regulatory and sales-based milestone payments, as well as royalties on net sales of Suvexx in the Territory and revenue pursuant to the supply of product. Suvexx is currently manufactured by the Company's contract manufacturing partner in the United States.

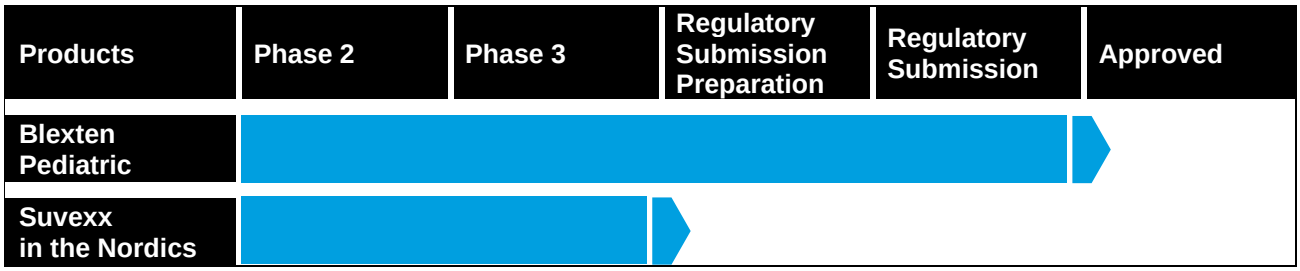
Yosprala
Yosprala is currently the only prescription fixed-dose combination of aspirin (acetylsalicylic acid), an anti-platelet agent, and omeprazole, a proton-pump inhibitor, in the U.S. It is indicated for patients who require aspirin for secondary prevention of cardiovascular and cerebrovascular events and who are at risk of developing aspirin associated gastric ulcers. Yosprala is designed to support both cardio- and gastro-protection for at-risk patients through the proprietary Intelli-COAT system, which is formulated to sequentially deliver immediate-release omeprazole (40 mg) followed by a delayed-release, enteric-coated aspirin core in either 81 mg or 325 mg dose strengths. Yosprala was approved by the FDA in September 2016 and was commercially launched in the U.S. in October 2016. Yosprala is currently commercialized in the U.S. by Genus Lifesciences Inc. (Genus). The Company will receive a single-digit royalty on net sales in the U.S. by Genus until July 2023.

The intellectual property related to Yosprala was licensed to Takeda Pharmaceutical Company Limited (Takeda) in May 2017, on a non-exclusive basis for the Japanese market. In March 2020, Miravo Ireland received notice from Takeda that Japan's Ministry of Health, Labor and Welfare (the MHLW) approved Cabpirin. Cabpirin is a fixed dose combination of vonoprazan fumarate and low-dose aspirin which is protected by Miravo Ireland's Japanese patent for the Yosprala formulation. In the year ended December 31, 2020, Miravo Ireland received $2.5 million (US$1.8 million), in milestone payments, net of withholding tax of 10%, triggered by the MHLW approval. Miravo Ireland is also contractually entitled to receive a second US$1.8 million milestone payment, net of withholding tax of 10% on May 31, 2022 provided the licensed intellectual property remains valid and enforceable. Miravo Ireland will receive a single-digit royalty on net sales of Cabpirin in Japan until patent expiry on May 31, 2022.

Miravo Ireland is entitled to retain 50% of all royalty and milestone revenues generated from the Yosprala intellectual property on a global basis, with the remaining 50% to be paid to the estate of POZEN.

The Heated Lidocaine/Tetracaine Patch
The HLT Patch is a topical patch that combines lidocaine, tetracaine and heat, using Miravo's proprietary Controlled Heat-Assisted Drug Delivery (CHADD™) technology. The CHADD unit generates gentle heating of the skin and in a well-controlled clinical trial has demonstrated that it contributes to the efficacy of the HLT Patch by improving the flux rate of lidocaine and tetracaine through the skin. The HLT Patch resembles a small adhesive bandage in appearance and for its currently approved indication is applied to the skin 20 to 30 minutes prior to painful medical procedures, such as venous access, blood draws, needle injections and minor dermatologic surgical procedures. The HLT Patch is marketed in the U.S. by Galen US Incorporated (Galen) under the brand name Synera. In Europe, the HLT Patch is marketed by the Company's European-based licensee, Eurocept International B.V. (Eurocept) under the brand name Rapydan. The HLT Patch is manufactured by a third-party contract manufacturing organization for Galen and Eurocept. Currently, Miravo manufactures the bulk drug product for both parties.

Product Pipeline



Blexten Pediatric
Miravo's original license agreement for Blexten included Canadian rights for the pediatric dosage formats. Blexten pediatric dosing consists of either an oral syrup formulation (2.5mg/ml) and an orally dispersible tablet formulation (10mg tablets). Miravo filed the pediatric dossier to Health Canada during the second quarter of 2020 and the dossier was accepted for review during the fourth quarter. A regulatory decision from Health Canada is anticipated by late summer 2021.

Blexten Ophthalmic
In April 2018, Miravo executed an amendment to add an ophthalmic formulation of Blexten, currently under development, to the portfolio. The ophthalmic version of Blexten provides physicians the ability to treat patients suffering from ocular symptoms such as itchy, watery or red eyes related to seasonal allergies with a highly effective, non-drowsy and long-lasting formulation. The Company is examining the dossier for its suitability for filing a New Drug Submission for Blexten ophthalmic with Health Canada.

Selected Financial Information

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
	$	$	$
Operations			
Product sales	**52,200**	51,884	17,569
License revenue	**21,519**	15,758	2,262
Contract revenue	**56**	1,904	167
Total Revenue	**73,775**	69,546	19,998
Cost of goods sold	**23,309**	26,472	8,638
Gross profit[(1)]	**50,466**	43,074	11,360
Sales and marketing expenses	**8,928**	9,796	-
General and administrative expenses	**12,893**	17,840	16,238
Amortization of intangibles	**8,314**	8,356	1,989
Net interest expense (income)	**11,441**	10,305	(32)
Total operating expenses	**41,576**	46,297	18,195
Other expenses (income)	**11,867**	(6,650)	(495)
Income (loss) before income taxes	**(2,977)**	3,427	(6,340)
Income tax expense (recovery)	**1,152**	28	(187)
Net income (loss)	**(4,129)**	3,399	(6,153)
Unrealized gain (loss) on translation of foreign operations	**100**	(432)	370
Total comprehensive income (loss)	**(4,029)**	2,967	(5,783)
Total assets	**151,765**	163,129	204,412
Total non-current financial liabilities[(2)]	**109,348**	110,257	152,296

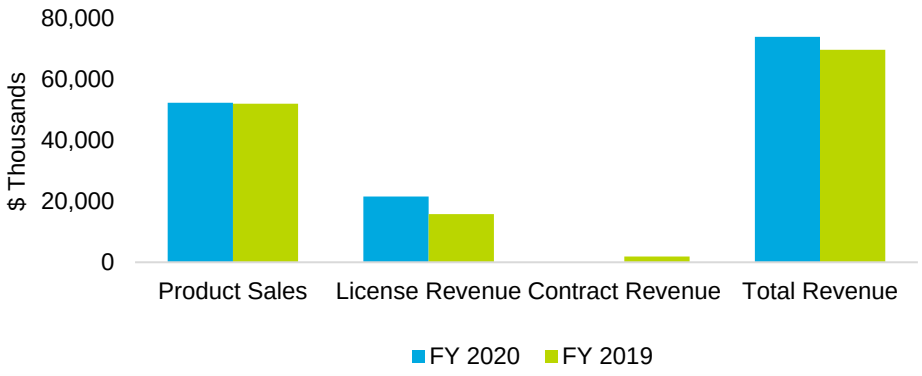
	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Share Information			
Net income (loss) per common share			
- basic	**(0.36)**	0.30	(0.54)
- diluted	**(0.36)**	(0.51)	(0.54)
Dividends declared per-share, common shares	**-**	-	-

(1) Gross profit increased during the year ended December 31, 2019 as compared to the year ended December 31, 2018, as a result of the Aralez Transaction effective December 31, 2018.
(2) Non-current financial liabilities are the sum of the long-term portion of long-term debt, other obligations and derivative liabilities.

Non-IFRS Measures(1)	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Adjusted total revenue	**70,959**	74,724
Adjusted EBITDA	**28,443**	27,242
Adjusted EBITDA per common share		
- basic	**2.50**	2.39
Average number of common shares outstanding		
- basic	**11,388**	11,388

(1) Adjusted EBITDA, adjusted total revenue and adjusted EBITDA per common share are Non-IFRS measures. See *Non-IFRS Measures* above for a reconciliation of non-IFRS measures to IFRS.

Results of Operations



Total Revenue
Total revenue is comprised of product sales, license revenue and contract revenue. Total revenue was $73.8 million for the year ended December 31, 2020 compared to $69.5 million for the year ended December 31, 2019.

Product sales, which represent the Company's sales to wholesalers, licensees and distributors, were $52.2 million for the year ended December 31, 2020 compared to $51.9 million for the year ended December 31, 2019. The Commercial Business segment revenue had continued organic growth of its key promoted products - Blexten and Cambia. The possibility of future supply disruptions resulted in forward buying linked to the COVID-19 pandemic, which increased revenue in the three months ended March 31, 2020, reduced revenue in the three months ended June 30, 2020 and stabilized in the second half of the year, as the pandemic progressed and buying patterns returned to normal. It is anticipated that the COVID-19 pandemic may continue to impact the timing of revenue in future quarters and the Company will monitor market dynamics accordingly.

License revenue was $21.5 million for the year ended December 31, 2020 compared to $15.8 million for the year ended December 31, 2019. The Company receives license revenue from its exclusive licensing agreements with global partners related to net sales of Vimovo, Resultz, Pennsaid, the HLT Patch, Yosprala and Treximet in certain territories. The Company acquired the Vimovo, Yosprala and Treximet royalty streams as part of the Aralez Transaction. The increase in the current year included milestone revenue received due to regulatory approval in Japan related to the Yosprala intellectual property totalling $5.6 million, for which there was no comparable milestone revenue in the year ended December 31, 2019.

Contract revenue is mainly derived from ad hoc service agreements for testing, development and related quality assurance and quality control services provided by the Company. During the year ended December 31, 2019, the Company's subsidiary, Miravo Ireland, provided transition services to two companies totalling $1.4 million.

Adjusted total revenue decreased to $71.0 million for the year ended December 31, 2020 compared to $74.7 million for the year ended December 31, 2019. Adjusted total revenue is a non-IFRS measure (See *Non-IFRS Financial Measures* above).

Canada Emergency Wage Subsidy

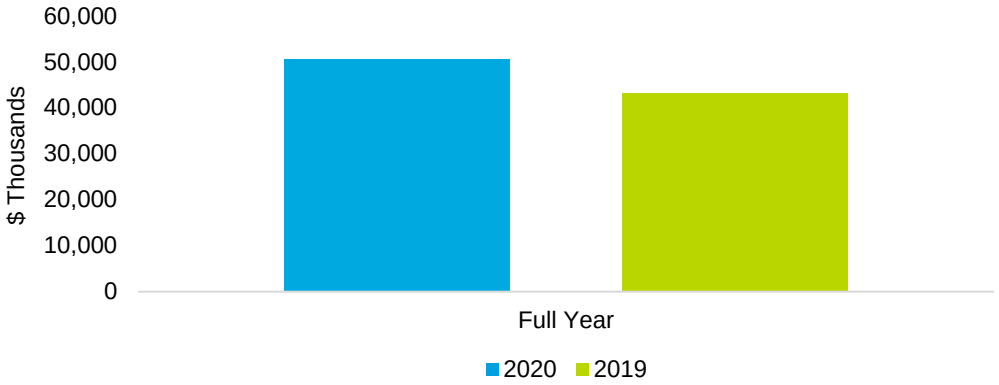
During the year ended December 31, 2020, the Company recorded $1.2 million in government assistance resulting from the Canada Emergency Wage Subsidy. The funding was recorded as a reduction of the related salary expenditures with $0.4 million recorded in sales and marketing expense, $0.4 million recorded in G&A expenses and $0.4 million recorded in cost of goods sold (COGS).

Cost of Goods Sold

COGS for the year ended December 31, 2020 was $23.3 million compared to $26.5 million for the year ended December 31, 2019. Excluding the impact of the Canada Emergency Wage Subsidy in the current year, gross margin on product sales for the year ended December 31, 2020 was $28.9 million or 55% compared to $25.4 million or 49% for the year ended December 31, 2019.

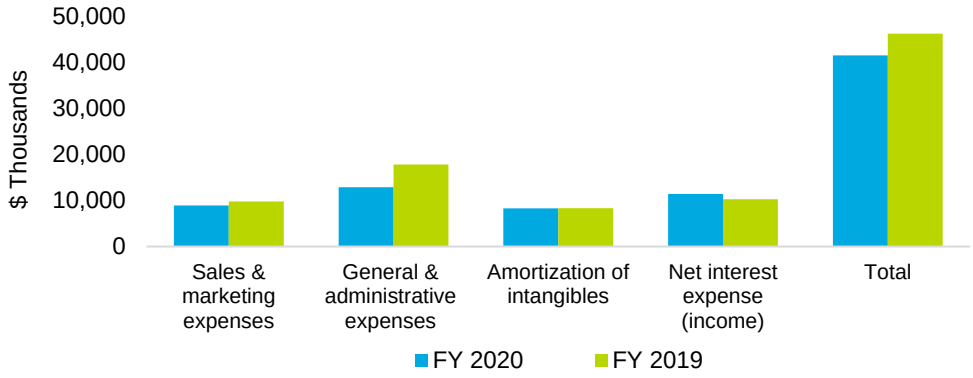
The increase in gross margin was the result of a reduction in inventory step-up expense as well as changes in product mix. COGS for the year ended December 31, 2020, included $1.4 million of inventory step-up expense [$5.0 million for the year ended December 31, 2019]. The Production and Service Business segment product sales decreased 30% for the year ended December 31, 2020 compared to the year ended December 31, 2019, while the product sales in the Commercial Business segment for the year ended December 31, 2020 increased 11% compared to the year ended December 31, 2019.

Gross Profit



Gross profit on total revenue was $50.5 million or 68% for the year ended December 31, 2020 compared to $43.1 million or 62% for the year ended December 31, 2019. The increase in gross profit for the current year was primarily attributable to an increase in license revenue and gross margin on product sales (See *Total Revenue and Cost of Goods Sold* above).

Operating Expenses



Total operating expenses includes sales and marketing expenses, G&A expenses, amortization of intangibles and net interest expense. Total operating expenses for the year ended December 31, 2020 were $41.6 million, a decrease from $46.3 million for the year ended December 31, 2019. The decrease in total operating expenses for the current year was a result of the Company's June 2019 restructuring, the Canada Emergency Wage Subsidy, a reduction in certain promotional and travel costs due to a partial transition to online promotional platforms, as well as variations in the timing of sales and marketing and G&A costs.

Sales and Marketing

The Company incurred $8.9 million in expenses for sales and marketing for the year ended December 31, 2020 compared to $9.8 million for the year ended December 31, 2019. The current year includes $0.4 million in Canada Emergency Wage Subsidy [$nil for the year ended December 31, 2019]. For the current year, the decrease in sales and marketing expenses was the result of the Company's June 2019 restructuring, the Canada Emergency Wage Subsidy, a reduction in certain promotional and travel costs due to a partial transition to online promotional platforms, as well as variations in the timing of expenses. Sales and marketing expenses relate to the Company's dedicated commercial efforts to promote Blexten, Cambia, Suvexx, NeoVIsc and the Canadian business for Resultz (See *Operating Segments* above).

General and Administrative

G&A expenses were $12.9 million for the year ended December 31, 2020 compared to $17.8 million for the year ended December 31, 2019. The current year includes $0.4 million in Canada Emergency Wage Subsidy [$nil for the year ended December 31, 2019]. For the current year, G&A expenses decreased, primarily due to the Company's June 2019 restructuring, the Canada Emergency Wage Subsidy and variations in the timing of G&A costs,.

Amortization of Intangibles

For the year ended December 31, 2020, the Company recognized non-cash costs of $8.3 million for amortization of intangibles compared to $8.4 million in the comparative year. In the current year and comparative year, amortization related to the licenses and patents acquired in the Aralez Transaction and the Resultz patents.

Net Interest Expense

Net interest expense for the year ended December 31, 2020 was $11.4 million compared to net interest expense of $10.3 million for the year ended December 31, 2019. The Company's Amortization Loan and Convertible Loan, all components of the Deerfield Financing, are carried at amortized cost with effective interest rates of 10.20% and 10.13%, respectively. The Company's Bridge Loan had an effective interest rate of 9.7% and was repaid in the year ended December 31, 2020. For the year ended December 31, 2020, the Company recognized $11.9 million of interest expense on financial instruments measured at amortized cost, which was partially offset by $0.4 million of accreted interest income on contract assets and $0.1 million of interest income on cash held in the Company's bank accounts. For the year ended December 31, 2019, the Company recognized $12.8 million of interest expense on financial instruments measured at amortized cost, which was partially offset by $2.3 million of accreted interest income on contract assets and $0.2 million of interest income on cash held in the Company's bank accounts.

	Year ended December 31, 2020	Year ended December 31, 2019
	$	**$**
Cash interest paid	**5,010**	5,796
Non cash interest expense	**6,915**	6,960
Total interest expense	**11,925**	12,756

The Deerfield Financing requires the Company to make quarterly interest payments on outstanding loans. The coupon rate for the Amortization Loan and the Convertible Loan is 3.5%. The coupon rate for the Bridge Loan was 12.5%. During the year ended December 31, 2020, the Company made payments of $5.0 million to certain funds managed by Deerfield Management Company, L.P. (Deerfield) for interest due. During the year ended December 31, 2019, the Company made payments of $5.8 million to Deerfield for interest due under the Deerfield Financing. During the year ended December 31, 2020, the Company repaid the outstanding balance of $4.5 million (US$3.5 million) of the original US$6.0 million Bridge Loan and made principal payments of $17.9 million (US$13.3 million) applied to the Amortization Loan.

Other Expenses (Income)

During the year ended December 31, 2020, the Company recognized non-cash other expenses of $11.9 million compared to non-cash other income of $6.6 million for the year ended December 31, 2019.

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Change in fair value of derivative liabilities (gain)	**11,728**	(31,070)
Change in fair value of contingent and variable consideration	**1,794**	1,216
Impairment	**1,583**	23,780
Foreign currency gain	**(1,145)**	(2,598)
Other losses (gains)	**(2,093)**	2,022
Total other expenses (income)	**11,867**	(6,650)

The Company holds two derivative liabilities related to the Deerfield Financing - the conversion feature embedded in the Convertible Loan and the warrants (Warrants). These derivative liabilities are measured at fair value at each reporting period. As a result of the increase in the share price combined with an increase in the volatility, partially offset by a decrease in the risk-adjusted discount rate, the value of the Company's derivative liabilities increased and the Company recognized a net non-cash charge of $11.7 million on the change in fair value of derivative liabilities for the year ended December 31, 2020 [$31.1 million recovery for the year ended December 31, 2019]. During the year ended December 31, 2020, the Company recognized a $0.3 million gain on foreign exchange related to the conversion feature [$0.3 million gain for the year ended December 31, 2019].

During the year ended December 31, 2020, excluding the impact of foreign exchange changes, the Company recognized a $1.8 million non-cash loss on the change in fair value of contingent and variable consideration compared to a loss of $1.2 million for the year ended December 31, 2019. The Company reassesses the value of contingent consideration related to Resultz and Yosprala at each reporting period. The ex-U.S. Resultz acquisition included contingent consideration related to meeting certain milestones in partnered markets, payable only if those targets are achieved, as well as variable consideration based on annual royalties earned in the non-partnered markets. The contingent and variable consideration related to the ex-U.S. acquisition of Resultz was $2.2 million as at December 31, 2020, a decrease of $0.6 million for the year ended December 31, 2020. The Yosprala purchase agreement included contingent consideration in the form of 50% of the lifetime net earnings from monetization of the Yosprala product. In the year ended December 31, 2019, the Yosprala contingent consideration related to the U.S. market was reduced to $nil as a result of a change in estimates. As at December 31, 2018, the closing date of the Aralez Transaction, and December 31, 2019, the Yosprala contingent consideration relating to the Japanese market had a fair value of $nil. As at March 31, 2020, the fair value increased to $2.6 million as a result of changes in estimates. During the remainder of 2020, the Yosprala contingent consideration relating to the Japanese market was reduced to $1.1 million as a result of payments made and changes in estimates.

In the year ended December 31, 2020, the Company also recorded impairment of $1.6 million of certain intangible assets in the Commercial Business and Licensing and Royalty Business segments. In the year ended December 31, 2019, the Company recognized a $22.4 million impairment charge related to the Vimovo contract asset. In July 2019, the Company received notice that the United States Court of Appeals had denied the Company's and Horizon's request to reconsider the May 2019 decision with respect to the validity of the Vimovo Patent Nos. 6,926,907 and 8,557,285 in the U.S. As a result of this decision, a generic version of Vimovo was launched in the first quarter of 2020. In the year ended December 31, 2019, the Company also recorded impairment of $1.4 million of certain intangible assets in the Commercial Business and Licensing and Royalty Business segments.

The Company recognized foreign currency gains of $1.1 million and $2.6 million during the years ended December 31, 2020 and 2019, respectively. In the current year, the strengthening of the Canadian dollar against the U.S. dollar decreased the carrying value of the Company's long-term debt.

During the year ended December 31, 2020, the Company recognized non-cash other gains of $2.1 million, primarily related to the changes in the assumptions regarding the timing and amount of debt repayments due to forecast excess cash flows and deferral assumptions related to the amendment to the financing agreement dated June 25, 2019 with Deerfield. The Company recognized other losses of $2.0 million, primarily related to the modification of the long-term debt as a result of the amendment during the year ended December 31, 2019. The amendment permits the Company to defer a portion of the mandatory minimum quarterly repayments. The permitted deferral is the difference between one quarter of the then existing US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter.

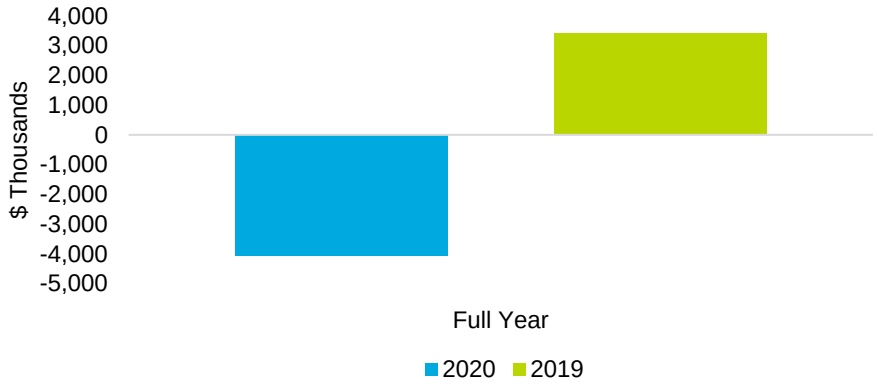
Net Income (Loss) and Total Comprehensive Income (Loss)

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Net income (loss) before income taxes	**(2,977)**	3,427
Income tax expense	**1,152**	28
Net income (loss)	**(4,129)**	3,399
Unrealized gain (loss) on translation of foreign operations	**100**	(432)
Total comprehensive income (loss)	**(4,029)**	2,967

Income Tax Expense

During the year ended December 31, 2020, the Company recognized an income tax expense of $1.2 million compared to an income tax expense of $28 for the year ended December 31, 2019. The increase in the current year was a result of taxable income in Miravo Ireland and non-recoverable withholding tax related to the Takeda milestone payment.

Net Income (Loss)



Net loss for the year ended December 31, 2020 was $4.1 million compared to net income of $3.4 million for the year ended December 31, 2019. In the current year, gross profit increased by $7.4 million, total operating expenses decreased by $4.7 million and other expenses (See *Other Expenses (Income)*) increased by $18.5 million.

Total Comprehensive Income (Loss)
Total comprehensive loss was $4.0 million for the year ended December 31, 2020 compared to total comprehensive income of $3.0 million for the year ended December 31, 2019. The current year included unrealized gains of $0.1 million on the translation of foreign operations compared to $0.4 million of unrealized losses in the comparative year.

Net Income (Loss) Per Common Share

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Net income (loss) from per common share		
- basic	**(0.36)**	0.30
- diluted	**(0.36)**	(0.51)
Average number of common shares outstanding		
- basic	**11,388**	11,388
- diluted	**11,388**	43,457

Net loss per common share was $0.36 for the year ended December 31, 2020 compared to net income per common share of $0.30 for the year ended December 31, 2019. On a diluted basis, net loss per common share was $0.36 for the year ended December 31, 2020 compared to net loss per common share of $0.51 for the year ended December 31, 2019.

The weighted average number of common shares outstanding on a basic basis was 11.4 million for the year ended December 31, 2020, unchanged from the comparative year.

The weighted average number of common shares outstanding on a diluted basis was 11.4 million for the year ended December 31, 2020 and 43.5 million for the year ended December 31, 2019. As at December 31, 2020, there were no potentially dilutive instruments in a dilutive position. As at December 31, 2019, the dilutive impact of the Warrants and convertible debt increased the weighted average number of common shares outstanding by 32.1 million.

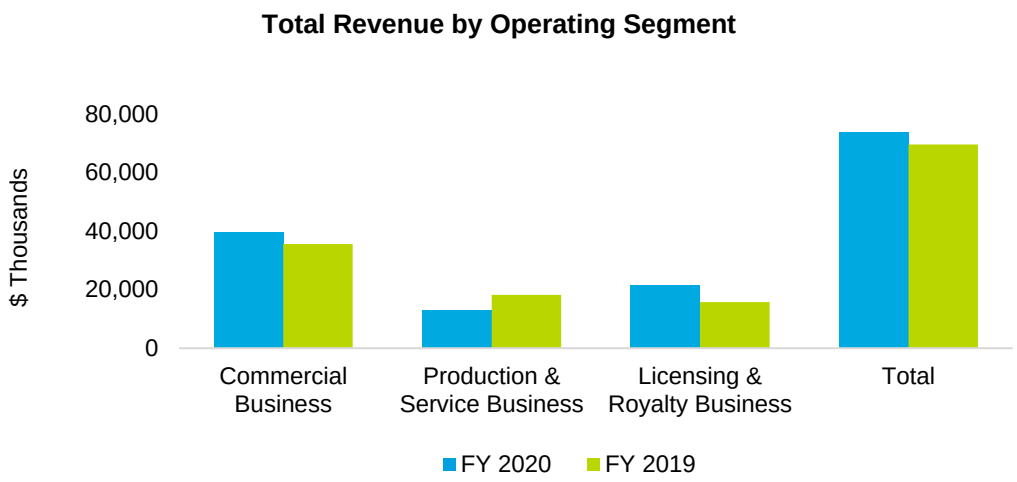
Operating Segments

IFRS 8 - *Operating Segments* (IFRS 8) requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. For the year ended December 31, 2020, the Company had three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business.

Operating Segments
The Commercial Business segment is comprised of products commercialized by the Company in Canada. This segment includes the Company's promoted products - Blexten, Cambia, Suvexx, NeoVisc and the Canadian business for Resultz, as well as a number of mature assets.

The Production and Service Business segment, includes revenue from the sale of products manufactured by or contracted by Miravo from its manufacturing facility in Varennes, Québec or its international headquarters in Dublin, Ireland, as well as service revenue for testing, development and related quality assurance and quality control services provided by the Company. Key revenue streams in this segment, include Pennsaid 2%, Pennsaid and the bulk drug product for the HLT Patch, as well as transition services provided by Miravo Ireland to two companies.

The Licensing and Royalty Business segment, includes the revenue generated by the licensing of intellectual property and ongoing royalties from exclusive licensing agreements with global partners. Key revenue streams in this segment include royalties from the Company's Vimovo, Yosprala, and Resultz license agreements.



Selected Segmented Financial Information

Commercial Business

	Year ended December 31, 2020	Year ended December 31, 2019	Change
	$	$	$
Revenue	**39,449**	35,578	3,871
Cost of Sales	**15,854**	17,860	(2,006)
Gross profit	**23,595**	17,718	5,877
Gross profit %	**60%**	50%	10%

During the year ended December 31, 2020, the Company's Commercial Business segment contributed $39.4 million or 53% of the Company's total revenue [$35.6 million or 51% during the year ended December 31, 2019] and $23.6 million or 47% of the Company's gross profit [$17.7 million or 41% during the year ended December 31, 2019]. COGS for the year ended December 31, 2020 included $1.4 million of inventory step-up expense [$5.0 million for the year ended December 31, 2019].

For the year ended December 31, 2020, the increase in the Commercial Business segment revenue was a result of continued organic growth of its key promoted products - Blexten and Cambia. The possibility of future supply disruptions resulted in forward buying linked to the COVID-19 pandemic, which increased revenue in the three months ended March 31, 2020, reduced revenue in the three months ended June 30, 2020 and stabilized in the second half of the year, as the pandemic progressed and buying patterns returned to normal. It is anticipated that the COVID-19 pandemic may continue to impact the timing of revenue in future quarters and the Company will monitor market dynamics accordingly.

Production and Service Business

	Year ended December 31, 2020	Year ended December 31, 2019	Change
	$	$	$
Revenue	**12,807**	18,210	(5,403)
Cost of Sales	**7,455**	8,612	(1,157)
Gross profit	**5,352**	9,598	(4,246)
Gross profit %	**42%**	53%	(11%)

During the year ended December 31, 2020, the Company's Production and Service Business segment contributed $12.8 million or 17% of the Company's total revenue [$18.2 million or 26% during the year ended December 31, 2019] and $5.4 million or 11% of the Company's gross profit [$9.6 million or 22% during the year ended December 31, 2019].

The decrease in the Production and Service Business segment revenue during the year ended December 31, 2020 was the result of a decrease in the Company's Pennsaid product sales, as well as a decrease of $1.9 million in contract revenue. The comparable year included contract revenue for one-time transition services provided by Miravo Ireland to two companies totalling $1.4 million.

During the year ended December 31, 2020, the Production and Service Business segment gross profit decreased by $4.2 million over the comparative year. The decrease in gross profit for the current year was attributable to a decrease in the Company's Pennsaid 2% product sales, as well as a decrease in contract revenue for one-time transition services provided to two companies in the comparative year.

Licensing and Royalty Business

	Year ended December 31, 2020	Year ended December 31, 2019	Change
	$	$	$
Revenue	**21,519**	15,758	5,761
Cost of Sales	**-**	-	-
Gross profit	**21,519**	15,758	5,761
Gross profit %	**100%**	100%	0.0%

During the year ended December 31, 2020, the Company's Licensing and Royalty Business segment contributed $21.5 million or 29% of the Company's total revenue [$15.8 million or 23% during the year ended December 31, 2019] and $21.5 million or 43% of the Company's gross profit [$15.8 million or 37% during the year ended December 31, 2019].

Revenue increased by $5.8 million for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase in the current year, included milestone revenue received due to regulatory approval in Japan related to the Yosprala intellectual property totalling $5.6 million, for which there was no comparable milestone revenue in the year ended December 31, 2019; and an increase of $0.6 million in royalty revenue related to U.S. net sales of Vimovo. The increase was partially offset by a decrease of $0.4 million in royalty revenue related to rest of world sales of Vimovo. For the six months ended June 30, 2019, the royalty revenue related to U.S. net sales of Vimovo of $2.8 million was recorded as a reduction to the contract asset (See *Adjusted EBITDA* calculation above).

The Yosprala intellectual property milestone revenue was recorded as a contract asset based on the present value of the milestone payments and will be reduced when the payments are received. In the three months ended March 31, 2020, the Company recognized additions to contract assets in the amount of $5.6 million (US$4.0 million) in milestone payments. In the three months ended June 30, 2020, one milestone payment was triggered by regulatory approval in Japan, which resulted in a reduction to the contract asset of $2.5 million. Miravo Ireland is entitled to retain 50% of all royalty and milestone revenues generated from the Yosprala intellectual property on a global basis, with the remaining 50% to be paid to the estate of POZEN.

Financial Position

	As at December 31, 2020	As at December 31, 2019
	$	$
Financial Position		
Working capital	**10,654**	14,423
Contract assets	**2,845**	402
Long-lived assets	**104,409**	115,026
Right-of-use assets	**1,027**	573
Long-term debt (including current portion)	**103,697**	123,377
Other obligations (including current portion)	**4,719**	3,408
Derivative liabilities	**13,665**	2,229
Total equity	**20,362**	24,130

Working Capital
The Company defines the working capital above as total current assets (excluding cash and contract assets), less accounts payable and accrued liabilities and current income tax liabilities. The $3.8 million decrease in working capital from December 31, 2019 to December 31, 2020 was primarily due to the following factors:

- Accounts receivable decreased $6.9 million related to the timing of receipts of royalty payments.
- Inventory increased $1.6 million as a result of the timing of purchases and supply chain management.
- Other current assets increased $0.9 million, primarily due to the timing of purchases.
- Accounts payable and accrued liabilities decreased by $1.4 million, primarily attributable to the timing of payments.
- Current income tax liabilities increased by $0.7 million, due to taxable income in Miravo Ireland.

Contract Assets
Contract assets represent the present value of current and future guaranteed minimum sales-based royalties, upfront fees and milestone payments that are expected to be received over the life of the licensing agreements. The Company's contract assets are subject to estimation regarding the likelihood of the minimum guaranteed sales-based royalties. Contract asset balances are reduced as the contractual minimums are realized throughout the life of the agreement. In the year ended December 31, 2020, the Company recognized a contract asset of $5.0 million (US$3.6 million), recorded net of withholding tax, representing the discounted present value, related to future milestone payments for the Yosprala product. This addition included $2.5 million (US$1.8 million), net of withholding tax, triggered by regulatory approval in Japan, which Miravo Ireland received in the three months ended June 30, 2020, which resulted in a reduction to the contract asset of $2.5 million. Miravo Ireland is also contractually entitled to receive a second US$1.8 million, net of withholding tax, milestone payment on May 31, 2022 provided the licensed intellectual property remains valid and enforceable.

Long-lived Assets
Long-lived assets consist of property, plant and equipment (PP&E), intangible assets and goodwill. The $9.0 million decrease for the year ended December 31, 2020 was primarily related to $9.1 million of intangible assets and PP&E amortization and a reduction of $0.5 million due to foreign exchange translation, partially offset by an increase in the balance due to additions of PP&E and software totalling $0.6 million.

Right-of-use Assets
Right-of-use assets consist of leased assets, which under IFRS 16 - *Leases* (IFRS 16), are accounted for as a right-of-use asset with a corresponding lease liability. The Company adopted IFRS 16 on January 1, 2019.

On February 26, 2020, the Company renegotiated its premises leases, which resulted in the surrender of two of its leases and the signing of a new lease. The renegotiation has been accounted for as a single lease modification, as it was completed with the overall objective of consolidating the premises leased by the Company and all leases were entered into with the same head lessor. As part of the renegotiation, the Company agreed to pay a termination fee of $0.2 million in order to be released from the remaining future lease obligation for both base rent and operating cost recovery of $0.5 million. During the year ended December 31, 2020, the decrease in the area under lease due to the modification has resulted in a decrease to the right-of-use asset of $0.1 million and the increase in the lease term and a corresponding increase in lease payments resulted in an increase to the right-of-use asset of $0.7 million. Depreciation expense of $0.2 million was recorded in the year ended December 31, 2020. Depreciation expense of $0.3 million was recorded in the year ended December 31, 2019.

Long-term Debt
Long-term debt includes the long-term carrying values of the Company's Bridge Loan, Amortization Loan and Convertible Loan. No new loan facilities were entered into during the year ended December 31, 2020. As payments are made, and interest is accreted, the net impact reduces the long-term debt balance over time. During the year ended December 31, 2020, the Company repaid the outstanding balance of the Bridge Loan.

The Company agreed to an amendment to the financing agreement dated June 25, 2019 to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company the option to defer a portion of the mandatory minimum quarterly repayments by the difference between one quarter of the then existing US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter, in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. A generic version of Vimovo entered the U.S. market in the three months ended March 31, 2020. The amount of any principal repayment

deferred would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. The carrying value of the debt includes assumptions regarding the deferral option when estimating the timing of payments**.**

During the year ended December 31, 2020, the Company made interest payments of $5.0 million and principal payments of $22.4 million to Deerfield under the Deerfield Financing. The Company chose not to defer any amount of the minimum payment due for the year ended December 31, 2020.

Other Obligations
The Company recognized $3.3 million in contingent and variable consideration as at December 31, 2020 [December 31, 2019 - $2.8 million], which represented the present value of the Company's probability-weighted estimate of the cash outflow related to the ex-U.S. Resultz acquisition and the profits earned from Yosprala. As at December 31, 2020, the Company recognized $1.5 million [December 31, 2019 - $0.6 million] of lease obligations related to IFRS 16.

As at December 31, 2020, the contingent consideration liability related to the ex-U.S. Resultz acquisition and the Aralez Transaction. The ex-U.S. Resultz acquisition included additional contingent consideration based on meeting certain milestones in partnered markets, payable only if those targets are achieved, as well as variable consideration based on annual royalties earned in non-partnered markets. The Aralez Transaction included contingent consideration in the form of 50% of the lifetime net earnings from monetization of the Yosprala product. The fair value of contingent consideration initially recognized represented the present value of the Company's probability-weighted estimate of cash outflows related to the monetization of the Yosprala product in the U.S. market. At December 31, 2019, the fair value of contingent consideration for the Japanese market was $nil based on the present value of the Company's probability-weighted estimate of cash outflows related to the monetization of the Yosprala product. Contingent consideration related to profits earned from Yosprala for the Japanese market increased to $2.6 million (US$1.8 million) in the three months ended March 31, 2020, as the Japanese licensee of Yosprala obtained regulatory approval which triggered two milestone payments due to Miravo Ireland of US$2.0 million each, less related costs. This resulted in the recognition of $5.5 million (US$3.9 million) in license revenue for the three months ended March 31, 2020. Miravo Ireland received the first $2.5 million (US$1.8 million) milestone payment, net of withholding tax in the three months ended June 30, 2020, and the second milestone payment is to be received no later than May 31, 2022, provided the licensed intellectual property remains valid and enforceable. The receipt of the milestone payments and quarterly royalties related to the Yosprala intellectual property triggered payments of $1.2 million to the estate of POZEN in the year ended December 31, 2020.

Derivative liabilities
The Company's derivative liabilities include the conversion feature embedded in the Convertible Loan and the Warrants. No conversions or Warrant exercises occurred during the year ended December 31, 2020. These derivative liabilities are measured at fair value at each reporting period, which increase as the Company's share price increases and interest rates decrease. As a result of the increase in the share price in the year ended December 31, 2020, combined with an increase in the volatility and partially offset by a decrease in the risk-adjusted discount rate, the value of the Company's derivative liabilities increased by $11.7 million, excluding the impact of foreign exchange. For the year ended December 31, 2019, the value of the Company's derivative liabilities decreased by $30.9 million, excluding the impact of foreign exchange, due to a decrease in the share price in the year, combined with a reduction in the risk-adjusted discount rate.

Fluctuations in Operating Results
The Company anticipates that its quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the level and timing of product sales to the Company's customers, licensees and distributors, the timing and amount of royalties, milestones and other payments made or received pursuant to current and future licensing arrangements, interest costs associated with servicing the Deerfield Financing, revaluation of derivative liabilities and fluctuations in foreign exchange rates.

Liquidity and Capital Resources

	Year ended December 31, 2020 $	Year ended December 31, 2019 $
Net income (loss)	**(4,129)**	3,399
Items not involving current cash flows	**24,819**	13,033
Cash provided by operations	**20,690**	16,432
Net change in non-cash working capital	**4,810**	(14,069)
Payment of contingent consideration	**(1,168)**	-
Cash provided by operating activities	**24,332**	2,363
Cash used in investing activities	**(748)**	(2,630)
Cash used in financing activities	**(22,689)**	(3,743)
Effect of exchange rates on cash	**(107)**	(1,045)
Net change in cash during the year	**788**	(5,055)
Cash and cash equivalents, beginning of the year	**23,019**	28,074
Cash and cash equivalents, end of the year	**23,807**	23,019

Cash and Cash Equivalents
Cash and cash equivalents were $23.8 million as at December 31, 2020 compared to $23.0 million as at December 31, 2019.

Cash Provided by Operations
Cash provided by operations was $20.7 million for the year ended December 31, 2020 compared to cash provided by operations of $16.4 million for the year ended December 31, 2019.

Cash Provided by Operating Activities
Overall cash provided by operating activities was $24.3 million for the year ended December 31, 2020 compared to cash provided by operating activities of $2.4 million for the year ended December 31, 2019.

In the current year, the $4.8 million provided by non-cash working capital was primarily attributable to a decrease of $7.6 million of accounts receivable as a result of timing of receivables, a decrease of $2.4 million of contract assets due to transfers to accounts receivable and an increase of $0.7 million due to income tax payable; offset by an increase of $3.5 million of inventories as a result of the timing of purchases and a decrease of $1.4 million of accounts payable and accrued liabilities, primarily due to the timing of payments.

Cash Used in Investing Activities
Net cash used in investing activities was $0.7 for the year ended December 31, 2020 compared to net cash used in investing activities of $2.6 million for the year ended December 31, 2019. In the current year, the Company's net cash used in investing activities included the acquisition of PP&E of $0.6 million and software of $0.2 million.

Cash Used in Financing Activities
Net cash used in financing activities was $22.7 million for the year ended December 31, 2020 compared to net cash used in financing activities of $3.7 million for the year ended December 31, 2019. During the year ended December 31, 2020, the Company repaid $22.4 million of debt to Deerfield and paid $0.3 million as cash payments for lease liabilities.

Capital Structure
The Company's stated strategy is to expand its Canadian and international business through targeted in-licensing and acquisition opportunities. To execute this strategy, the Company may need to access the additional capacity under its senior secured term loan facility or seek alternate sources of financing.

The Company expects to continue to be able to meet all obligations as they become due using some or all of the following sources of liquidity: cash flow generated from operations, existing cash and cash equivalents on hand, and additional borrowing capacity under its senior secured term loan facility. In addition, subject to market conditions, the Company may raise funding through equity financing. The Company believes that its capital structure will provide it with financial

flexibility to pursue future growth strategies. However, the Company's ability to fund operating expenses and debt service requirements will depend on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors, including the impact of COVID-19 and other factors beyond the Company's control. See "Risk Factors".

Selected Quarterly Information

The following is selected quarterly financial information for the Company over the last eight quarterly reporting periods.

	Q4 2020	Q3 2020	Q2 2020	Q1 2020[1]	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	$	$	$	$	$	$	$	$
Product sales	**12,876**	13,597	12,253	13,474	13,317	14,102	13,235	11,230
License revenue	**4,373**	2,997	3,277	10,872	6,043	4,646	2,655	2,414
Contract revenue	**34**	7	-	15	233	75	690	906
Sales and marketing expenses	**2,352**	1,643	2,703	2,230	1,968	1,955	3,043	2,830
General and administrative expenses	**3,461**	2,684	2,808	3,940	3,941	3,584	5,125	5,190
Net income (loss)	**2,399**	(2,832)	(1,967)	(1,729)	(418)	4,425	6,796	(7,404)
Net income (loss) per common share								
- basic	**0.21**	(0.25)	(0.17)	(0.15)	(0.04)	0.39	0.60	(0.65)
- diluted	**0.05**	(0.25)	(0.17)	(0.15)	(0.04)	0.10	(0.52)	(5.50)
Non-IFRS Measures								
Adjusted total revenue	**17,331**	16,669	18,046	18,913	19,644	18,889	19,078	17,112
Adjusted EBITDA	**6,242**	6,565	7,646	7,990	8,570	7,784	5,663	5,225
Adjusted EBITDA per common share								
- basic	**0.55**	0.58	0.67	0.70	0.75	0.68	0.50	0.46

[i] Includes restated figures for the three months ended March 31, 2020.

Fourth Quarter Results

	Three months ended December 31, 2020	Three months ended December 31, 2019
	$	$
Product sales	**12,876**	13,317
License revenue	**4,373**	6,043
Contract revenue	**34**	233
Total revenue	**17,283**	19,593
Cost of goods sold	**5,877**	6,499
Gross profit	**11,406**	13,094
Sales and marketing	**2,352**	1,968
General and administrative expenses	**3,461**	3,941
Amortization of intangibles	**2,095**	1,967
Net interest expense	**2,422**	3,142
Total operating expenses	**10,330**	11,018
Other expense (income)	**(888)**	2,465
Income tax expense (recovery)	**(435)**	29
Net income (loss)	**2,399**	(418)
Other comprehensive income (loss)	**(631)**	414
Total comprehensive income (loss)	**1,768**	(4)

Operating Results

Total revenue for the three months ended December 31, 2020 was $17.3 million compared to $19.6 million for the three months ended December 31, 2019. The decrease in revenue for the current quarter was primarily attributable to a $1.7 million decrease related to a reduction in the U.S. Vimovo royalties, primarily as a result of the generic entry of Vimovo in March 2020 and a $1.0 million reduction in the Company's Pennsaid product sales, partially offset by a $0.6 million increase in the Company's Commercial Business product sales.

COGS for the three months ended December 31, 2020 was $5.9 million compared to $6.5 million for the three months ended December 31, 2019. The decrease in COGS in the current quarter was primarily attributable to the reduction of the inventory step-up expense for the sale of inventory that was acquired by the Company as part of the Aralez Transaction. COGS for the three months ended December 31, 2020 included $0.4 million of inventory step-up expense for the sale of inventory that was acquired by the Company as part of the Aralez Transaction compared to $0.9 million for the three months ended December 31, 2019.

The Company incurred $2.4 million in expenses for sales and marketing activities during the three months ended December 31, 2020 compared to $2.0 million for the comparative three-month period. The increase in sales and marketing expenses for the current quarter was related to the variations in the timing of expenses. Sales and marketing expenses related to the Company's dedicated commercial efforts to promote Blexten, Cambia, Suvexx, NeoVisc and the Canadian business for Resultz. (See *Operating Segments* above).

G&A expenses decreased to $3.5 million for the three months ended December 31, 2020 compared to $3.9 million for the three months ended December 31, 2019. The decrease in G&A expenses for the current quarter was related to the variations in the timing of expenses.

Net interest expense was $2.4 million for the three months ended December 31, 2020 compared to net interest expense of $3.1 million for the three months ended December 31, 2019. The Company's Amortization Loan and Convertible Loan, all components of the Deerfield Financing, are carried at amortized cost with effective interest rates of 10.20% and 10.13%, respectively. The Company's Bridge Loan had an effective interest rate of 9.7% and was repaid in the year ended December 31, 2020. For the three months ended December 31, 2020, the Company recognized $2.8 million of interest expense on financial instruments measured at amortized cost, which was partially offset by $0.4 million of interest income related to contract asset interest accretion.

Total operating expenses for the three months ended December 31, 2020 decreased to $10.3 million compared to $11.0 million for the three months ended December 31, 2019. The decrease in operating expenses for the current quarter was related to the variations in the timing of expenses, as well as the Canada Emergency Wage Subsidy, which reduced operating expenses by $0.1 million for the three months ended December 31, 2020.

Other expenses (income) primarily consists of the change in fair value of derivative liabilities due to the increase in the share price in the current quarter, change in fair value of contingent and variable consideration and net foreign currency gains or losses in both the current and comparative quarters, which will vary based on fluctuations in foreign currency rates.

Net income was $2.4 million for the three months ended December 31, 2020 compared to a net loss of $0.4 million for the three months ended December 31, 2019. The decrease in net loss was primarily related to an increase in Other expenses (income).

Liquidity

	Three months ended December 31, 2020	Three months ended December 31, 2019
	$	$
Net income (loss)	**2,399**	(418)
Items not involving current cash flows	**3,587**	7,432
Cash provided by operations	**5,986**	7,014
Net change in non-cash working capital	**1,507**	1,275
Payment of contingent consideration	**(33)**	
Cash provided by operating activities	**7,460**	8,289
Cash used in investing activities	**(637)**	(7)
Cash used in financing activities	**(3,680)**	(3,356)
	3,143	4,926
Effect of exchange rates on cash	**(444)**	(378)
Net change in cash	**2,699**	4,548
Cash and cash equivalents, beginning of period	**21,108**	18,471
Cash and cash equivalents, end of period	**23,807**	23,019

Cash was $23.8 million as at December 31, 2020, an increase of $0.8 million compared to $23.0 million as at December 31, 2019. In the current quarter, cash increased due to cash provided by operating activities, partially offset by cash used in investing activities and cash used in financing activities.

Cash provided by operating activities was $7.5 million for the three months ended December 31, 2020 compared to $8.3 million for the three months ended December 31, 2019. In the current quarter, $7.5 million of cash was provided by operating activities, including a $1.5 million recovery in non-cash working capital.

Net cash used in investing activities was $0.6 for the three months ended December 31, 2020 compared to net cash used in investing activities of $7 for the three months ended December 31, 2019. In the current three-month period, the Company's net cash used in investing activities included investments in leasehold improvements and software.

Net cash used in financing activities was $3.7 million for the three months ended December 31, 2020 compared to $3.4 million for the three months ended December 31, 2019. In the current quarter, the Company made a $3.7 million principal repayment towards its Amortization Loan.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments at Amortized Cost
For year ended December 31, 2020, the Company recognized $78 in interest income from financial assets held at amortized cost [December 31, 2019 - $0.2 million].

For year ended December 31, 2020, the Company recognized $11.9 million in interest expense from financial liabilities held at amortized cost [December 31, 2019 - $12.8 million].

Credit Risk
The Company, in the normal course of business, is exposed to credit risk from its global customers, most of whom are in the pharmaceutical industry. The accounts receivable and contract assets are subject to normal industry risks in each geographic region in which the Company operates. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement.

As at December 31, 2020, the Company's largest customer represented 30% [December 31, 2019 - 49%] of accounts receivable. Pursuant to their collective terms, accounts receivable, net of allowance, were aged as follows:

	December 31, 2020	December 31, 2019
	$	$
Current	**7,018**	9,064
0 - 30 days past due	**463**	777
31 - 60 days past due	**2**	60
Over 60 days past due[(i)]	**5**	4,486
	7,488	14,387

(i) See "*loss allowance provision*" below.

The loss allowance provision for the Production and Service Business segment as at December 31, 2020 was determined using reference to expected loss rates and management judgment as follows:

		Current	Less than 181 days past due	181 to 270 days past due	271 to 365 days past due	More than 365 days past due	Total
Expected loss rate	**%**	0%	0%	25%	50%	100%	
Gross carrying amount	**$**	33	268	-	-	-	**301**

The loss allowance provision for the Commercial Business and Licensing and Royalty Business segments as at December 31, 2020 was determined using reference to expected loss rates and management judgment as follows:

		Current	Less than 61 days past due	61 to 120 days past due	121 to 180 days past due	More than 181 days past due	Total
Expected loss rate	**%**	0%[(i)]	0%[(i)]	25%	50%	100%	
Gross carrying amount	**$**	7,063	215	-	-	-	**7,278**
Loss allowance provision	**$**	(76)	-	(15)	-	-	**(91)**

(i) Loss allowance provision balance consists of credit memos and purchase deductions on invoices that take time to be processed. As a result, loss provision is 0%.

During the year ended December 31, 2020, the Company recorded $nil bad debt reversal in total comprehensive income (loss) [December 31, 2019 - $0.1 million]. For the year ended December 31, 2020, the impairment of accounts receivable was assessed based on the expected credit losses model in compliance with IFRS 9. Individual receivables that were known to be uncollectible were written off by reducing the carrying amount directly.

For contract assets within the scope of IFRS 15, the Company recognizes an asset to the extent contractual minimums established in certain customer licensing agreements are deemed fixed consideration. After analysis of historical default rates and forward-looking estimates, the Company's contract assets were considered to have low credit risk, and as a result, the Company has not recognized a loss allowance as at December 31, 2020 [December 31, 2019 - $nil].

The Company's cash and cash equivalents subject the Company to a concentration of credit risk. As at December 31, 2020, the Company had $23.8 million deposited with three financial institutions in various bank accounts. These financial institutions are major banks located in Canada, the U.S. and Ireland, which the Company believes lessens the degree of credit risk. All of these financial institutions are considered to have low credit risk and, therefore, the provision recognized during the current year was limited to 12 months of expected losses. The Company has not recognized a loss allowance as at December 31, 2020 [December 31, 2019 - $nil].

The Company has not noted a significant change in the credit risk of the financial instruments related to the recent novel coronavirus (COVID-19) pandemic,

Financial Instruments

IFRS 7 requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. All assets and liabilities for which fair value is measured or disclosed in these Consolidated Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets

- Level 2 - Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data
- Level 3 - Significant unobservable inputs that are supported by little or no market activity

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the year ended December 31, 2020.

As at December 31, 2020, the Company's financial assets and liabilities consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, contingent and variable consideration, long-term debt and derivative liabilities. The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and their fair values approximate carrying values. Cash and cash equivalents are Level 1, while the other short-term financial instruments are Level 3.

The fair values of the Loans are Level 3 measurements determined using a discounted cash flow model that considers the present value of the contractual cash flows using a risk-adjusted discount rate. The Company recognized $103.7 million for the Amortization Loan and host liability of the Convertible Loan as at December 31, 2020 [December 31, 2019 - $123.4 million]. During year ended December 31, 2020, the Company repaid the $4.5 million (US$3.5 million) outstanding balance of the US$6.0 million Bridge Loan.

The conversion feature that accompanies the Company's Convertible Loan is considered a Level 3 liability. The value is determined as the difference between the fair value of the hybrid Convertible Loan contract, determined using an income approach with a binomial-lattice model and the fair value of the host liability contract, determined using a discounted cash flow model. The Company recognized $5.7 million for the conversion feature as at December 31, 2020 [December 31, 2019 - $0.8 million].

The fair values of the prepayment option that allows the Company to make prepayments against the Bridge Loan or Amortization Loan at any time is considered a Level 3 financial instrument. The fair value of the prepayment option bifurcated from the Amortization Loan was a derivative asset with a nominal value as at December 31, 2020 and is presented net of the non-current portion of the long-term debt. The fair value of this option was determined using a binomial-lattice model.

The fair value of the Company's Warrants is revalued at each reporting period using the Black-Scholes option pricing model. As at December 31, 2020, the Company recognized a $8.0 million derivative liability related to outstanding Warrants [December 31, 2019 - $1.4 million]. These Warrants are Level 3.

Level 3 liabilities include the fair value of contingent and variable consideration related to the acquisition of the ex-U.S. rights to Resultz and the Aralez Transaction.

Risk Factors

The following is a discussion of liquidity risk and market risk and related mitigation strategies that have been identified. Credit risk has been discussed in the Company's assessment of impairment under IFRS 9. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations as they become due.

As at December 31, 2020, the Company's financial liabilities had undiscounted contractual maturities (including interest payments where applicable) as summarized below:

		Current	Non-current		
	Total	**Within 12 Months**	**1 to 2 Years**	**2 to 5 Years**	**> 5 Years**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**8,314**	8,314	-	-	-
Other obligations	**5,022**	334	2,610	801	1,277
Senior secured Amortization Loan	**64,293**	14,919	27,891	21,484	-
Senior secured Convertible Loan	**76,337**	2,372	4,744	69,221	-
	153,966	**25,939**	**35,245**	**91,506**	**1,277**

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations or to refinance its obligations on commercially reasonable terms could have a materially adverse impact on the Company's business, financial condition or operating results.

The Deerfield Facility Agreement contains customary representations and warranties and affirmative and negative covenants, including, among other things, an annual financial covenant based on minimum levels of net sales per fiscal year and a mandatory quarterly repayment requirement under the Amortization Loan and the Bridge Loan equal to the greater of (i) 50% of excess cash flows (as defined in the Deerfield Facility Agreement) for such quarter, or (ii) US$2.5 million, commenced with the quarter ended March 31, 2019, provided that, solely with respect to the first four fiscal quarters after the closing date, the US$2.5 million quarterly minimum is not applicable as long as US$10.0 million in principal repayments have been made over such four fiscal quarters. The Company agreed to an amendment to the financing agreement dated June 25, 2019, to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company to defer a portion of the mandatory minimum quarterly principal repayments by the difference between one quarter of the US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. A generic version of Vimovo entered the U.S. market in the year ended December 31, 2020. The amount of any deferred principal repayment would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. To-date, the Company has not availed itself of the deferral mechanism.

As a result of changes in the assumptions regarding the timing of loan payments, the Amortization Loan was revalued and gains of $2.4 million were recorded for the year ended December 31, 2020. As a result of the amendment to the agreement dated June 25, 2019, as well as changes in the assumptions regarding the timing of payments, the Amortization Loan and Bridge Loan were revalued resulting in a loss on modification for the year ended December 31, 2019 of $2.2 million.

Due to the impact of the COVID-19 pandemic on the economic environment, the Company has reviewed the working capital requirements needed as a result of managing the supply chain and changes in demand. The Company anticipates that its current cash of $23.8 million as at December 31, 2020, together with the cash flows generated from operations, will be sufficient to execute its current business plan for the next 12 months and to meet its current debt obligations.

Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company's loans and borrowings and lease obligations are at fixed interest rates.

The fair value of the Company's prepayment option on the Amortization Loan and Bridge Loan and the Company's derivative liabilities are impacted by market rate changes.

Currency Risk

The Company operates globally, which gives rise to a risk that income and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar, euro and British Pound (GBP), but also transacts in other foreign currencies. The Company currently does not use financial instruments to hedge these risks. The significant balances in foreign currencies were as follows:

	U.S. Dollar		Euro		British Pound	
	Dec. 31, 2020 $	Dec. 31, 2019 $	**Dec. 31, 2020 €**	Dec. 31, 2019 €	**Dec. 31, 2020 £**	Dec. 31, 2019 £
Cash	**7,214**	7,565	**1,444**	630	**1,147**	619
Accounts receivable	**3,145**	8,960	**133**	319	**48**	37
Contract assets	**1,964**	-	**-**	-	**183**	234
Loans and borrowings	**(81,468)**	(9 4,976)	**-**	-	**-**	-
Derivative liabilities	**(4,452)**	(644)	**-**	-	**-**	-
Accounts payable and accrued liabilities	**(803)**	(405)	**(281)**	(785)	**-**	(22)
Other obligations	**(1,882)**	(1,456)	**(552)**	(1,010)	**-**	-
	(76,282)	(80,956)	**744**	(846)	**1,378**	868

Based on the aforementioned net exposure as at December 31, 2020, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $9.7 million on total comprehensive income (loss), a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $0.1 million on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the GBP would have an effect of $0.2 million on total comprehensive income (loss).

In terms of the U.S. dollar, the Company has five significant exposures: its U.S. dollar-denominated cash held in its Canadian operations, its U.S. dollar-denominated loans and borrowings and derivative liabilities held in its Canadian and European operations, its net investment and net cash flows in its European operations, the cost of purchasing raw materials either priced in U.S. dollars or sourced from U.S. suppliers and payments made to the Company under its U.S. dollar-denominated licensing arrangements.

The Company does not currently hedge its U.S. dollar cash flows. The Company funds its U.S. dollar-denominated interest expense and loan obligations using the Company's U.S. dollar-denominated cash and cash equivalents and payments received under the terms of the licensing and supply agreements. Periodically, the Company reviews its projected future U.S. dollar cash flows and if the U.S. dollars held are insufficient, the Company may convert a portion of its other currencies into U.S. dollars. If the amount of U.S. dollars held is excessive, they may be converted into Canadian dollars or other currencies, as needed for the Company's other operations.

In terms of the euro, the Company has three significant exposures: its euro-denominated cash held in its Canadian operations, sales of Pennsaid by the Canadian operations to European distributors and the cost of purchasing raw materials priced in euros.

The Company does not currently hedge its euro cash flows. Sales to European distributors for Pennsaid are primarily contracted in euros. The Company receives payments from the distributors in its euro bank accounts and uses these funds to pay euro-denominated expenditures and to fund the day-to-day expenses of the Miravo Ireland operations as required. Periodically, the Company reviews the amount of euros held, and if they are excessive compared to the Company's projected future euro cash flows, they may be converted into U.S. or Canadian dollars. If the amount of euros held is insufficient, the Company may convert a portion of other currencies into euros.

In terms of the GBP, the Company has three significant exposures: its euro-denominated cash held in its Canadian operations and euro operations, the cost of purchasing raw materials or services priced in GBP and payments made to the Company under its GBP-denominated licensing arrangements and minimum royalties received and accounted for as a contract asset in GBP.

The Company does not currently hedge its GBP cash flows. The Company receives payments from the distributors in its GBP bank accounts and uses these funds to pay GBP-denominated expenditures and to fund the day-to-day

expenses of the Miravo Ireland operations as required. Periodically, the Company reviews the amount of GBP held, and if they are excessive compared to the Company's projected future GBP cash flows, they may be converted into U.S. or Canadian dollars. If the amount of GBP held is insufficient, the Company may convert a portion of other currencies into GBP.

Market Risk
The Company's derivative liabilities, the Warrants and the conversion feature that accompanies the Company's Convertible Loan, are impacted by a variety of valuation inputs, including changes in the Company's share price. As at December 31, 2020, a $1.00 increase in the Company's share price would increase the value of the Warrants by $15.1 million and an increase to the conversion feature of $10.7 million, with a corresponding loss of $25.8 million recognized in income for the change in fair value of derivative liabilities. As at December 31, 2020, a further $1.00 increase in the Company's share price for a total adjustment of $2.00 would further increase the value of the Warrants by $17.5 million and increase the value of the conversion feature by $12.7 million, with a corresponding additional loss of $30.2 million recognized in income for change in fair value of derivative liabilities.

The Company has not noted a significant change in the market risk due to changes to the Company's share price as a result of the impact of the COVID-19 pandemic on the economic environment.

Contractual Obligations

The following table lists the Company's contractual obligations for the twelve months ending December 31 as follows:

	2021	2022	2023	2024	2025	2026 and thereafter	**Total**
	$	$	$	$	$	$	**$**
Variable lease payments	241	223	223	223	223	1,097	**2,230**
Lease liability (principal and interest)	225	226	238	238	239	1,277	**2,443**
Deerfield Financing[(1)]	17,291	16,544	16,092	90,704	-	-	**140,631**
Purchase commitments	2,922	4,380	3,578	4,318	-	-	**15,198**
Other obligations[(2)]	10,196	2,287	1,430	1,812	248	223	**16,196**
	30,875	**23,660**	**21,561**	**97,295**	**710**	**2,597**	**176,698**

(1) Included in the Deerfield Financing is the Convertible Loan in the principal amount of US$52.5 million, convertible into 19,444,444 common shares of the Company at a conversion price of US$2.70.
(2) Other obligations include accounts payable and accrued liabilities and contingent and variable consideration.

The Deerfield Financing
On December 31, 2018, the Company and Miravo Ireland, as borrowers, and Aralez Canada, as guarantor, entered into the Deerfield Facility Agreement with Deerfield, as agent and certain funds managed by Deerfield, as lenders, to fund the purchase price of the Aralez Transaction (the Deerfield Financing).

The Deerfield Financing consisted of (i) a 6-year, amortizing loan made available to Miravo Ireland in the principal amount of US$60 million with an interest rate of 3.5% per annum (the Amortization Loan), (ii) an 18-month Bridge Loan made available to the Company in the principal amount of US$6.0 million with an interest rate of 12.5% per annum (the Bridge Loan), (iii) a 6-year, Convertible Loan made available to the Company in the principal amount of US$52.5 million with an interest rate of 3.5% per annum, initially convertible into 19,444,444 common shares of the Company at a conversion price of US$2.70 (the Convertible Notes), and (iv) 25,555,556 million common share purchase Warrants, each such Warrant initially exercisable for one common share of the Company for a period of six years from the date of issuance at an exercise price of $3.53 per share.

Each quarter, the Company shall pay to the lenders the greater of US$2.5 million or 50% of the Company's excess cash flows (a defined term in the Deerfield Facility Agreement), which is applied in the following order: (a) any unpaid fees and transaction costs; (b) proportionately to any accrued and unpaid interest related to these Loans; (c) any unpaid principal of the Bridge Loan, including the applicable prepayment fee; (d) any unpaid principal of the Amortization Loan, including the applicable prepayment fee; and (e) any other obligations owing to the lenders, administrative agent or other secured parties (the Waterfall Provisions).

In 2019, the Company was permitted to delay the minimum principal payments if a minimum of US$10 million in aggregate was paid by the payment date of December 31, 2019. During the three months ended March 31, 2020, the Company made principal loan repayments of $4.5 million (US$3.5 million) applied to the Bridge Loan and $7.0 million (US$5.2 million) applied to the Amortization Loan. As a result of the Waterfall Provisions, the first US$6.0 million, including those payments made in 2019, were applied to the Bridge Loan. During the three months ended March 31, 2020, the Company repaid the $4.5 million (US$3.5 million) outstanding balance of the US$6.0 million Bridge Loan. The remaining US$4.0 million in respect of the 2019 minimum principal payment was paid in the three months ended March 31, 2020, which was applied to the Amortization Loan, and included in the total $7.0 million (US$5.2 million) Amortization Loan payment. Quarterly principal payments are to be made on the Amortization Loan until December 31, 2024.

The Company agreed to an amendment to the financing agreement dated June 25, 2019 to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company to defer a portion of the mandatory minimum quarterly repayments by the difference between one quarter of the then existing US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter, in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. A generic version of Vimovo entered the U.S. market in the three months ended March 31, 2020 resulting in such loss of exclusivity. The amount of any principal repayment deferred would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. To-date, the Company has not availed itself of the deferral mechanism. The carrying value of the debt includes assumptions regarding the deferral option when estimating the timing of payments. As a result of changes in the assumptions regarding the timing of the payments, gains of $2.4 million were recorded in the year ended December 31, 2020. As a result of both the modification of debt due to the amendment and changes in the assumptions regarding the timing of the payments, losses of $2.2 million were recorded for the year ended December 31, 2019.

Litigation

From time-to-time, during the ordinary course of business, the Company may be threatened with, or may be named as, a defendant in various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damage claims.

On October 30, 2019, the Company received an application for an industry-wide class action in the Superior Court of Québec. In the application, the Company was named as a defendant, along with 33 other defendants which includes a group of companies that manufacture, market, and/or distribute opioids in Québec. The claim is for $30, plus interest for compensatory damages for each class member, $25.0 million from each defendant for punitive damages and pecuniary damages for each class member. The Company believes that the claim is without merit and intends to vigorously defend the matter.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

For the year ended December 31, 2020, there were no related party transactions.

Outstanding Share Data

The number of common shares outstanding as at December 31, 2020 was 11.4 million. The Company had no preferred shares issued and outstanding as at December 31, 2020.

As at December 31, 2020, there were 1.6 million options outstanding of which 1.1 million have vested. The Company also has 25.6 common share purchase Warrants outstanding, each exercisable for one common share of the Company at an exercise price of $3.53 per share. The Convertible Loan is convertible into 19.4 million common shares of the Company at a conversion price of US$2.70 per share.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to understanding the Consolidated Financial Statements and those that require the application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 2, *Basis of Preparation* and Note 3, *Summary of Significant Accounting Policies* of the Company's Consolidated Financial Statements for the year ended December 31, 2020 found on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

Recent Accounting Pronouncements

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

(a) Amendments to IAS 1, *Classification of Liabilities as Current or Non-current* (IAS 1)
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments to IAS 1 are not expected to have a significant impact on the Company's Consolidated Financial Statements.

(b) *Amendments to IFRS 7 - Financial Instruments*: *Disclosure* (IFRS 7); IFRS 9; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 4 - *Insurance Contracts*; and IFRS 16
In August 2020, the IASB published IBOR Reform Phase 2 which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide temporary relief that allow the Company's hedging relationships to continue upon replacement of the existing interest rate benchmark with the alternative risk-free rate resulting from IBOR reform. The relief requires the Company to amend hedge designations and hedge documentation. Updates to hedging documentation must be made by the end of the reporting period in which a replacement takes place. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Management is in the process of assessing the impact of these amendments on contracts in scope, including our IBOR-based financial instruments and hedge relationships, if any.

(c) Reference to the Conceptual Framework – *Amendments to IFRS 3*
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

(d) Property, Plant and Equipment: Proceeds before Intended Use - *Amendments to IAS 16*
In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

(e) Onerous Contracts – Costs of Fulfilling a Contract - *Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. G&A costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Company.

Management's Responsibility for Financial Reporting

The Company's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. Disclosure controls and procedures (DCP) are designed to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the filings are being prepared, and (ii) information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of DCP includes, among other things, the Company's Corporate Disclosure and Code of Conduct and Business Ethics policies, the review and approval procedures of the Corporate Disclosure Committee and continuous review and monitoring procedures by senior management.

Management is also responsible for the design of internal controls over financial reporting (ICFR) within the Company, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As of the end of the period covered by this MD&A, the Chief Executive Officer and the Chief Financial Officer of the Company have reviewed and evaluated the Company's DCP (as that term is defined in National Instrument 52-109 – *Certification of Disclosures in Issuers' Annual and Interim Filings* (NI 52-109)) and, based upon that review and evaluation, concluded that those DCP were effective and met the requirements thereof. Nevertheless, management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

NI 52-109 requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the internal controls for the Company that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls or internal controls over financial reporting of the Company will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have evaluated the design and operating effectiveness of the internal controls over financial reporting of the Company and concluded that, as of December 31, 2020, and subject to the inherent limitations described above, internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the framework and criteria used by the Company.

There have been no changes in the ICFR of the Company during the period of this MD&A that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Risk Factors

Prospects for companies in the biotechnology and pharmaceutical industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology and pharmaceutical companies should be regarded as speculative. An investor should carefully consider the information contained in this MD&A, in addition to the risk factors discussed in the Company's AIF under the heading "Risk Factors", which section is hereby incorporated herein by reference. The disclosures in this MD&A are subject to the risk factors outlined in the AIF. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the risks occur as outlined in the AIF, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's common shares could decline. Before making an investment decision, each prospective investor should carefully consider the risk factors included in the AIF and other public documents.

Forward-looking Statements

This MD&A contains "forward-looking information" as defined under Canadian securities laws (collectively, forward-looking statements). This document should be read in conjunction with material contained in the Company's Consolidated Financial Statements for the year ended December 31, 2020 along with the Company's other publicly filed documents. Forward-looking statements appear in this MD&A and include, but are not limited to, statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects, opportunities and macroeconomic and industry trends.

The words "plans", "expects", "does not expect", "goals", "seek", "strategy", "future", "estimates", "intends", "anticipates", "does not anticipate", "projected", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "should", "might", "likely", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements. Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the Company.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the Company as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the Company's future growth potential, results of operations, future prospects and opportunities, the competitive landscape, industry

trends, legislative or regulatory matters, future levels of indebtedness, availability of capital and current economic conditions.

The Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: the Company's ability to execute its growth strategies; the impact of changing conditions in the regulatory environment and drug development processes; increasing competition in the industries in which Miravo operates; the Company's ability to meet its debt commitments; the impact of unexpected product liability matters; the impact of ongoing litigation involving the Company and/or its products; the impact of changes in relationships with customers and suppliers; the degree of intellectual property protection currently afforded to the Company's products; including the invalidation of any of the Company's current patents and the outcome of any litigation or other proceedings seeking to challenge or protect such patents; the scope of the impact of patent litigation or other proceedings involving the Company's products; the timing of any launch of generic products that compete with the Company's products and the scope of their impact on the Company's product sales and royalty payments; the degree of market acceptance of the Company's products; changes in prevailing economic conditions; developments and changes in applicable laws and regulations; the impact of COVID-19 on the operation, business and financial results of the Company; and such other factors discussed under "Risk Factors" in the Company's most recent AIF.

If any risks or uncertainties described above or otherwise materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail under "Risk Factors" in the AIF should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

All forward-looking statements are based only on information currently available to the Company and are made as of the date of this MD&A. Except as expressly required by applicable Canadian securities law, the Company assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Additional Information

Additional information relating to the Company, including the Company's most recently filed AIF and Management Information Circular, can be found on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

Management Report

The accompanying Consolidated Financial Statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these Consolidated Financial Statements and the accompanying Management's Discussion and Analysis. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies followed by the Company are set out in Note 3, *Summary of Significant Accounting Policies* to these Consolidated Financial Statements.

To assist management in discharging these responsibilities, the Company maintains a system of procedures and internal controls, which are designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for the preparation of accurate and timely financial information.

The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of accounting records and procedures to enable them to report their opinion as to the fairness of the Consolidated Financial Statements and their conformity with IFRS.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through an Audit Committee composed of three Directors, all of whom are not involved in the day-to-day operations of the Company. The Audit Committee meets quarterly with management, and with external auditors to review audit recommendations and any matters that the auditors believe should be brought to the attention of the Board of Directors. The Audit Committee reviews the Consolidated Financial Statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

/s/ *Jesse F. Ledger*

Jesse F. Ledger
President & Chief Executive Officer
March 5, 2021

/s/ *Kelly A. Demerino*

Kelly A. Demerino
Interim Chief Financial Officer
March 5, 2021

Independent auditor's report

To the Shareholders of
Nuvo Pharmaceuticals Inc. [d/b/a Miravo Healthcare]

Opinion

We have audited the consolidated financial statements of **Nuvo Pharmaceuticals Inc.** [d/b/a Miravo Healthcare] [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address these matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets	
The Company discloses the nature of goodwill and intangible assets, and the valuation methodologies used relating to the valuation of goodwill and intangible assets in notes 10 and 11 to the consolidated financial statements. At December 31, 2020, the total carrying value of goodwill and intangible assets amounted to $27.4 M and $73.5 M, respectively. Goodwill and intangible assets are allocated to Cash Generating Units ["CGU's"] and management is required to test the carrying values of the CGUs for impairment annually, or more frequently if there is an indicator of impairment. The determination of the CGUs' recoverable amounts was significant to our audit and considered a key audit matter due to the significance of the amounts and the degree of judgement and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the respective CGU. Significant assumptions included the timing and growth of future cash flow projections, earnings margins, and the pre-tax discount rate or revenue multiple, which are affected by expectations about future product, market and economic conditions.]	We performed audit procedures that included, among others, evaluating management's key assumptions for determining the recoverable amount. With the assistance of our valuations specialists, we evaluated the Company's model and valuation methodology, and evaluated management's discount rates against Company, industry and economic specific data. We also evaluated additional risk premiums that reflect current industry risks and achievement risk of the future cash flow projections. We compared future cash flow projections to historical results and to product, market and economic information. We performed sensitivity analyses on key assumptions including pre-tax discount rate, revenue multiple in comparison to market comparables, and elements of future cashflow projections such as projected expenses and evaluated the results of the analysis. We also assessed the adequacy of the Company's disclosures included in notes 10 and 11 of the accompanying consolidated financial statements in relation to valuation of goodwill and intangible assets.

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments	
As described in notes 1 and 13 to the consolidated financial statements, the Company entered into financing arrangements in 2018, as part of financing the acquisition of Aralez Pharmaceuticals Canada, U.S. and international rights to Vimovo® and other related assets. These financing arrangements include derivatives and embedded derivatives such as warrants to the holder of the loan and a conversion feature in the convertible loan. As at December 31, 2020, the fair value of the warrants and conversion option were $8.0 M and $5.7 M, respectively. The determination of the fair values of derivative liabilities was significant to our audit and considered as a key audit matter due to the significance of its value and the degree of judgment and subjectivity in evaluating management's estimates. In particular, the valuation is based on, and sensitive to, changes in specific inputs such as volatility and the discount for lack of marketability.	With the assistance of our valuation specialists, our audit procedures to assess the valuation of derivative liabilities included, among others, an assessment of the methodology and the appropriateness of the valuation models used by management to value derivative liabilities. We obtained an understanding of the valuation methodology and inputs used by management and evaluated management's key assumptions such as credit spread and discount for lack of marketability. As part of those procedures, we assessed specific inputs including share-price and volatility using publicly available historical financial data. We also assessed the discount for lack of marketability using a typical put-option pricing model and evaluated the credit spread based on publicly available company, economic and industry data. We performed sensitivity analysis on these key inputs and evaluated the results of the analysis.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kwan-Ho Song, CPA, CA.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 5, 2021

NUVO PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars in thousands)	***Notes***	**As at December 31, 2020** **$**	As at December 31, 2019 $
ASSETS			
CURRENT			
Cash and cash equivalents	*3, 25*	**23,807**	23,019
Accounts receivable	*3, 25*	**7,488**	14,387
Inventories	*3, 6*	**9,490**	7,927
Other current assets	*7*	**2,699**	1,795
Contract assets	*3, 25, 26*	**251**	90
TOTAL CURRENT ASSETS		**43,735**	47,218
NON-CURRENT			
Contract assets	*3, 25, 26*	**2,594**	312
Right-of-use assets	*8*	**1,027**	573
Property, plant and equipment	*3, 9*	**3,478**	3,888
Intangible assets	*3, 5, 10*	**73,486**	83,558
Goodwill	*3, 5, 11*	**27,445**	27,580
TOTAL ASSETS		**151,765**	163,129
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	*15*	**8,314**	9,678
Current portion of long-term debt	*5, 12*	**12,337**	18,385
Current portion of other obligations	*5, 14*	**396**	372
Current income tax liabilities	*23*	**709**	8
TOTAL CURRENT LIABILITIES		**21,756**	28,443
Long-term debt	*12*	**91,360**	104,992
Other obligations	*14*	**4,323**	3,036
Derivative liabilities	*13*	**13,665**	2,229
Deferred income tax liabilities	*23*	**299**	299
TOTAL LIABILITIES		**131,403**	138,999
EQUITY			
Common shares	*16*	**184,764**	184,764
Contributed surplus	*16, 17*	**16,153**	15,892
Accumulated other comprehensive income (loss) (AOCI)		**37**	(63)
Deficit		**(180,592)**	(176,463)
TOTAL EQUITY		**20,362**	24,130
TOTAL LIABILITIES AND EQUITY		**151,765**	163,129

Note 24, *Commitments and Contingencies*

See accompanying Notes.

On behalf of the Nuvo Board of Directors:

/s/ Anthony E. Dobranowski

Anthony E. Dobranowski
Director

/s/ Daniel N. Chicoine

Daniel N. Chicoine
Director

NUVO PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)[(i)]

(Canadian dollars in thousands, except per share and share figures)	***Notes***	**Year ended December 31, 2020** **$**	Year ended December 31, 2019 $
REVENUE			
Product sales	*26, 27*	**52,200**	51,884
License revenue	*26, 27*	**21,519**	15,758
Contract revenue	*26, 27*	**56**	1,904
Total revenue		**73,775**	69,546
Cost of goods sold	*6, 21, 27, 30*	**23,309**	26,472
Gross profit		**50,466**	43,074
OPERATING EXPENSES			
Sales and marketing expenses	*21, 27, 30*	**8,928**	9,796
General and administrative expenses	*21, 27, 30*	**12,893**	17,840
Amortization of intangibles	*10, 27*	**8,314**	8,356
Net interest expense	*18, 27*	**11,441**	10,305
Total operating expenses		**41,576**	46,297
OTHER EXPENSES (INCOME)			
Change in fair value of derivative liabilities (gain)	*13, 27*	**11,728**	(31,070)
Change in fair value of contingent and variable consideration (gain)	*14, 27*	**1,794**	1,216
Impairment	*3, 5, 10, 26, 27*	**1,583**	23,780
Foreign currency gain		**(1,145)**	(2,598)
Other losses (gains)	*19, 27*	**(2,093)**	2,022
Net income (loss) before income taxes		**(2,977)**	3,427
Income tax expense	*3, 23, 27*	**1,152**	28
NET INCOME (LOSS)		**(4,129)**	3,399
Other comprehensive loss to be reclassified to net loss in subsequent periods			
Unrealized gain (loss) on translation of foreign operations		**100**	(432)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(4,029)**	2,967
Net income (loss) per common share			
- basic	*20*	**(0.36)**	0.30
- diluted	*20*	**(0.36)**	(0.51)
Average number of common shares outstanding (in thousands)			
- basic	*20*	**11,388**	11,388
- diluted	*20*	**11,388**	43,457

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars in thousands, except for number of shares)	Common Shares		Contributed Surplus	AOCI	Deficit	Total
	000s	**$**	**$**	**$**	**$**	**$**
Notes	*16, 17*	*16, 17*	*16, 17*			
Balance, December 31, 2018	11,388	184,764	15,435	369	(179,862)	20,706
Stock option compensation expense	-	-	457	-	-	457
Unrealized loss on translation of foreign operations	-	-	-	(432)	-	(432)
Net income	-	-	-	-	3,399	3,399
Balance, December 31, 2019	11,388	184,764	15,892	(63)	(176,463)	24,130
Stock option compensation expense	-	-	261	-	-	261
Unrealized gain on translation of foreign operations	-	-	-	100	-	100
Net loss	-	-	-		(4,129)	(4,129)
Balance, December 31, 2020	**11,388**	**184,764**	**16,153**	**37**	**(180,592)**	**20,362**

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)	***Notes***	**Year ended December 31, 2020** **$**	Year ended December 31, 2019 $
OPERATING ACTIVITIES			
Net income (loss)		**(4,129)**	3,399
Items not involving current cash flows:			
Depreciation and amortization	*21*	**9,256**	9,546
Impairment	*3, 5, 10*	**1,583**	23,780
Contract asset additions	*3, 26*	**(5,496)**	-
Contract asset change in estimate	*3*	**561**	-
Accreted non-cash interest, net and amortization of deferred financing fees	*12*	**6,491**	4,228
Change in fair value of long-term debt	*12*	**(2,434)**	-
Change in fair value of derivative liabilities	*13*	**11,728**	(31,070)
Equity-settled stock-based compensation	*17*	**261**	457
Unrealized foreign exchange gain		**(1,015)**	(2,457)
Change in fair value of contingent and variable consideration	*14*	**1,794**	1,216
Modification of debt		**-**	2,166
Change in allowance for doubtful accounts		**(74)**	(107)
Inventory write-down	*6*	**573**	333
Inventory step-up expense	*6*	**1,411**	4,979
Lease disposal		**-**	(38)
Disposal of fixed assets	*9*	**180**	-
		20,690	16,432
Net change in non-cash working capital	*22*	**4,810**	(14,069)
Payment of contingent consideration	*14*	**(1,168)**	-
CASH PROVIDED BY OPERATING ACTIVITIES		**24,332**	2,363
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(555)**	(83)
Acquisition of intangible assets		**(193)**	-
Aralez acquisition		**-**	(2,547)
CASH USED IN INVESTING ACTIVITIES		**(748)**	(2,630)
FINANCING ACTIVITIES			
Principal payment on debt	*12*	**(22,436)**	(3,354)
Cash payment of lease liabilities		**(253)**	(389)
CASH USED IN FINANCING ACTIVITIES		**(22,689)**	(3,743)
Effect of exchange rate changes on cash		**(107)**	(1,045)
Net change in cash during the year		**788**	(5,055)
Cash and cash equivalents, beginning of year		**23,019**	28,074
CASH AND CASH EQUIVALENTS, END OF YEAR		**23,807**	23,019

See accompanying Notes.

Supplemental Cash Flow Information

Interest received[(i)]	**75**	220
Interest paid[(i)]	**5,010**	5,796
Income taxes paid	**102**	41

(i) Amounts have been reflected as operating cash flows in the Consolidated Statements of Cash Flows.

See accompanying Notes.

NUVO PHARMACEUTICALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unless noted otherwise, all amounts shown are in thousands of Canadian dollars, except per share amounts.

1. NATURE OF BUSINESS

Nuvo Pharmaceuticals® Inc. d/b/a Miravo Healthcare™ (Miravo or the Company) is a Canadian focused, healthcare company with global reach and a diversified portfolio of commercial products. The Company's products target several therapeutic areas, including pain, allergy, neurology and dermatology. The Company's strategy is to in-license and acquire growth-oriented, complementary products for Canadian and international markets. The Company's registered office and principal place of business is located at 6733 Mississauga Road, Suite 800, Mississauga, Ontario, Canada, L5N 6J5, its international operations are located in Dublin, Ireland and its manufacturing facility is located in Varennes, Québec, Canada. The Varennes facility operates in a Good Manufacturing Practices (GMP) environment respecting the U.S., Canada and E.U. GMP regulations and is regularly inspected by Health Canada and the U.S. Food and Drug Administration (FDA).

The Aralez Transaction

On December 31, 2018, the Company announced the acquisition of a portfolio of more than 20 revenue-generating products from Aralez Pharmaceuticals Inc. (Aralez) (the Aralez Transaction). The Aralez Transaction included the acquisition of Aralez Pharmaceuticals Canada Inc. (Aralez Canada), a growing business that included the products Cambia® and Blexten®, as well as the Canadian distribution rights to Resultz®, and provided a platform for the Company to acquire and launch additional commercial products in Canada. The Company also acquired the worldwide rights and royalties from licensees for Vimovo, Yosprala and Suvexx®/Treximet. For further details, please refer to the annual Consolidated Financial Statements of the Company for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

The Deerfield Financing

The aggregate purchase price paid by the Company for the Aralez Transaction was $146.4 million (US$110 million, subject to certain working capital and indebtedness adjustments). The Company satisfied the purchase price through funding provided by certain funds managed by Deerfield Management Company, L.P. (Deerfield), a global, healthcare-specialized investor (the Deerfield Financing) (See Note 12, *Loans and Borrowings* and Note 13, *Derivative Liabilities)*.

2. BASIS OF PREPARATION

Statement of Compliance

These Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The policies applied to these Consolidated Financial Statements are based on IFRS, which have been applied consistently to all periods presented. These Consolidated Financial Statements were issued and effective as at March 5, 2021, the date the Board of Directors approved these Consolidated Financial Statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement

These Consolidated Financial Statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value. Items included in the financial statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency and presentation currency.

Use of Estimates and Judgments

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when these Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Contract Assets:

The Company's contract assets are subject to estimation regarding the likelihood of the minimum guaranteed sales-based royalties. In the year ended December 31, 2020, the Company recognized a contract asset of $5.0 million, recorded net of withholding tax, representing the present value, discounted at 1.7%, relating to future milestone payments for the Yosprala product. The contract asset and associated revenue represents the present value of $5.0 million (US$3.6 million) in milestone payments, net of withholding tax, during the term of this license agreement, including $2.5 million (US$1.8 million), net of withholding tax, triggered by regulatory approval in Japan, which Nuvo Pharmaceuticals (Ireland) DAC trading as Miravo Healthcare (Miravo Ireland) received in the year ended December 31, 2020 resulting in a reduction to the contract asset of $2.5 million. Miravo Ireland is also contractually entitled to receive a second US$1.8 million, net of withholding tax, milestone payment on May 31, 2022 provided the licensed intellectual property remains valid and enforceable.

In July 2019, the Company received notice that the United States Court of Appeals for the Federal Circuit (Court of Appeals) had denied the Company's and Horizon Therapeutics plc's (Horizon) request to reconsider the May 2019 decision with respect to the validity of Vimovo U.S. Patent Nos. 6,926,907 and 8,557,285 in the U.S. In October 2019, a petition to the Supreme Court of the United States was filed to request to have the decision of the Court of Appeals reconsidered. The Supreme Court denied that petition on January 13, 2020. On February 18, 2020, Dr. Reddy's Laboratories Inc. (Dr. Reddy's) second-filed abbreviated new drug application (ANDA) for Vimovo in the U.S. received FDA approval and Dr. Reddy's launched a generic version of Vimovo in the U.S. in the three months ended March 31, 2020. As a generic version of Vimovo entered the U.S. market, the Company will continue to receive a 10% royalty on net sales of Vimovo by its U.S. partner, subject to a step-down provision in the event that generic competition achieves a certain market share. The Company's US$7.5 million (US$1.9 million per quarter) minimum annual royalty due for Vimovo net sales in the U.S. ceased in the first quarter of 2020 with the launch of a generic Vimovo in the U.S. As at June 30, 2019, the Company wrote off its contract asset attributable to its Vimovo U.S. royalty and on June 30, 2019 recognized a $23.6 million impairment charge, of which $22.4 million was reversed from the related contract asset balance with the remainder recorded as an increase in liabilities. This increase in liabilities was subsequently reversed in the year ended December 31, 2019, as a generic version of Vimovo did not launch in 2019.

(ii) Revenue Recognition and Returns

As is typical in the pharmaceutical industry, the Company's royalty streams are subject to a variety of sales deductions, including rebates, discounts, incentives and product returns. Sales deductions are typically estimates resulting from judgments about future events and uncertainties and rely on management assumptions. Sales deductions are recorded in the same period that the revenues are recognized.

The provision for sales returns is an estimate used in the recognition of revenue. The Company has a return policy that allows wholesalers to return product within a specified period prior to, and subsequent to, the expiration date. Provisions for returns are recognized in the period in which the underlying sales are recognized, as a reduction of product sales revenue. The Company estimates provisions for returns based upon historical return data of each product to determine return percentages and current market conditions, representing management's best estimate. As historical experience may not always be an accurate indicator of future returns, the Company continually monitors return provisions and makes adjustments when it believes that actual product returns may differ from established reserves.

(iii) Determination of Amortized Cost for Debt Liabilities

The Company's Amortization Loan, Bridge Loan and host liability of the Convertible Loan (the Loans) are initially measured at fair value using a discounted cash flow model that considers the present value of the contractual cash flows using a risk-adjusted discount rate. The discounted cash flow model requires management to estimate the timing of debt repayments and the effective interest rate related to the debts.

For financial liabilities held at amortized cost, when the Company revises its estimates and timing of payments, it will adjust the gross carrying amount of the amortized cost of a financial liability to reflect actual and revised estimated contractual cash flows. The Company recalculates the gross carrying amount of the amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in income.

The Company has made assumptions regarding the timing of the payments, which may differ significantly depending upon quarterly excess cash flows and whether the quarterly payment deferral mechanism included within the financing agreement is utilized. The quarterly deferral mechanism allows the Company to defer a portion of the mandatory minimum quarterly repayments by the difference between one quarter of the US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter as a result of the loss of Vimovo U.S. market exclusivity.

(iv) Determination of Fair Value for Derivative Liabilities

The fair value of the Company's warrants (Warrants) (See Note 12, *Loans and Borrowings*) are initially recognized and subsequently revalued at each reporting period using the Black-Scholes option pricing model. The conversion feature that accompanies the Company's Convertible Loan is valued by determining the difference between the fair value of the hybrid Convertible Loan contract, determined using an income approach with a binomial lattice model and the fair value of the host liability contract, determined using a discounted cash flow model. The Warrants and conversion feature are measured at fair value through profit and loss at each period-end (See Note 13, *Derivative Liabilities).*

(v) Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculations are based on discounted cash flow (DCF) models. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash-inflows and outflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles recognized by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 10, *Intangible Assets* and Note 11, *Goodwill*.

(vi) Useful Lives of Intangible Assets

Management estimates the useful lives of intangible assets based on the period during which the assets are expected to be available for use and also estimates their recoverability to assess if there has been an impairment. The amounts and timing of recorded expenses for amortization and impairments of intangible assets for any period are affected by these estimates. The estimates are reviewed at least annually and are updated if expectations change as a result of commercial obsolescence, generic threats and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's intangible assets in the future.

(vii) Valuation of Inventory

The Company estimates future product sales when establishing appropriate provisions for inventory. In making these estimates, the Company considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by the Company turn quickly and inventory on-hand values are low, which reduces the risk of inventory obsolescence. Management relies on expiry dates in the determination of realizable value of inventory (See Note 6, *Inventories)*.

(viii) Employee Stock Options

The Company measures the cost of share-based payments, either equity or cash-settled, with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. In addition, cash-settled, share-based payments are revalued to fair value at every reporting date.

Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of stock-based payments, such as incentive stock options and share appreciation rights, the Company uses the Black-Scholes option pricing model.

Several assumptions are used in the underlying calculation of fair values of the Company's stock options and share appreciation rights using the Black-Scholes option pricing model, including the expected life of the option, stock-price volatility and forfeiture rates (See Note 17, *Stock-based Compensation and Other Stock-based Payments).*

(ix) Contingent Consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (See Note 14, *Other Obligations*).

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in these Consolidated Financial Statements.

(x) Functional Currency

The Company and its subsidiary companies use judgment when determining its functional currency. This determination includes an assessment of the indicators as prescribed in International Accounting Standards 21, *The Effects of Changes on Foreign Exchange Rates* (IAS 21). However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies, management uses judgment in the ultimate determination of the functional currency.

(xi) Determination of Groups of CGUs

The determination of the Company's CGUs, group of CGUs and their associated assets involves judgment and is based on how senior management monitors the operations of the Company. The Company has determined that the lowest aggregation of assets that generate largely independent cash inflows, include individual patents, brands and licenses. For purposes of the Company's goodwill impairment testing, the Company has grouped certain CGUs to test at the operating segment level, the lowest level at which management monitors goodwill for internal management purposes. The Company has used significant judgment in determining the groups of CGUs. The Company allocates goodwill to the groups of CGUs that are expected to benefit from the synergies of the business combination (See Note 11, *Goodwill*).

Basis of Consolidation

These Consolidated Financial Statements include the accounts of the Company and its subsidiaries as follows:

	% Ownership
Aralez Pharmaceuticals Canada Inc.	**100%**
Nuvo Pharmaceuticals (Ireland) Designated Activity Company	**100%**

All significant intercompany balances and transactions have been eliminated upon consolidation.

Foreign Currency Translation

The Company and its subsidiary companies each determine their functional currency based on the currency of the primary economic environment in which they operate. The Company's functional currency is the Canadian dollar.

(i) Transactions

Transactions denominated in a currency other than the functional currency of an entity are translated at exchange rates prevailing at the time the transaction occurred. The resulting exchange gains and losses are included in each entity's net income (loss) in the period in which they arise.

(ii) Translation into Presentation Currency

The Company's foreign operations are translated into the Company's presentation currency, which is the Canadian dollar, for inclusion in these Consolidated Financial Statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period, and revenue and expenses are translated at the average exchange rate for the period (as this is considered a reasonable approximation to actual rates). The resulting translation gains and losses are included in other comprehensive income (loss) (OCI) with the cumulative gain or loss reported in accumulated other comprehensive income (loss) (AOCI).

When the Company disposes of its entire interest in a foreign operation or loses control or influence over a foreign operation, the foreign currency gains or losses in AOCI related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation that remains a subsidiary, the proportionate amount of foreign currency gains or losses in AOCI related to the subsidiary are reallocated between controlling and non-controlling interests.

Cash and Cash Equivalents

Cash includes cash-on-hand and current balances with banks and cash equivalents include money market mutual funds. These are readily convertible into known amounts of cash and have an insignificant risk of changes in value. The cost basis of cash approximates its fair value.

Inventories

Inventories include raw materials, work-in-process and finished goods. Raw materials are stated at the lower of cost and replacement cost with cost determined on a first-in, first-out basis. Manufactured inventory (finished goods and work-in-process) is valued at the lower of cost and net realizable value determined on a first-in, first-out basis. Manufactured inventory cost includes the cost of raw materials, direct labour, an allocation of overhead and the cost to acquire finished goods. The Company monitors the shelf life and expiry of finished goods to determine when inventory values are not recoverable and a write-down is necessary.

An inventory provision is estimated by management based on expected future sales and expiry dates and is recorded in cost of goods sold (COGS). Subsequent changes to provisions are recorded in COGS in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Contract Assets

Contract assets represent the present value of current and future guaranteed minimum sales-based royalties, upfront fees and milestone payments that are expected to be received over the life of the licensing agreements. Contract asset balances are reduced as the contractual minimums are realized throughout the life of the agreement.

The timing of revenue recognition, billings and cash collections results in accounts receivable and unbilled receivables (contract assets). Generally, billing occurs subsequent to revenue recognition, resulting in accounts receivable. The Company's contract assets relate to license revenue attributable to minimum guaranteed sales-based royalties, upfront fees and milestone payments that have not been billed at the reporting date. Unbilled receivables (contract assets) will be billed (and subsequently transferred to accounts receivable) in accordance with the agreed-upon contractual terms.

Property, Plant and Equipment
Property, plant and equipment (PP&E) is recorded at cost.

The Company allocates the amount initially recognized in respect of an item of PP&E to its significant parts and amortizes separately each such part. Depreciation of PP&E is provided for over the estimated useful lives from the date the assets become available for use as follows:

Buildings	10 - 25 years	Straight-line
Leasehold improvements	Term of lease	Straight-line
Furniture and fixtures	5 years	Straight-line
Computer equipment	1 - 3 years	Straight-line
Production, laboratory and other equipment	3 - 12 years	Straight-line

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible Assets
Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the date of acquisition, which is considered to be at cost. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and accumulated impairment losses. Amortization commences when the intangible asset is available for use. For patented assets, amortization is computed on a straight-line basis over the intangible asset's estimated useful life, which cannot exceed the lesser of the remaining patent life and 20 years. For license assets, amortization is computed on a straight-line basis over the intangible asset's estimated useful life, which management estimates based on the license period and opportunity for license renewal. The estimated useful lives are as follows:

Brand	Indefinite life	-
Patents	5 - 20 years	Straight-line
Licenses	4 - 27 years	Straight-line
Software	5 years	Straight-line

Goodwill and Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree.

When the Company acquires a business, it assesses the classification and designation of financial assets and liabilities assumed in accordance with the contractual terms, economic circumstances and conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (unless classified as equity) is subsequently remeasured to fair value at each reporting period-end, with the changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in net income (loss).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. See below for a description of the Company's impairment testing procedures.

Impairment of Non-financial Assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does

not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. A long-term growth rate is calculated and applied to project future cash flows. Impairment losses of continuing operations are recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Leased assets
Leased assets are capitalized at the commencement date of the lease and are comprised of the initial lease liability amount, initial direct costs incurred when entering into the lease, less any lease incentives received.

Leased liabilities
The lease liability is measured at the present value of the fixed and variable lease payments that depend on an index or rate, net of cash lease incentives that are unpaid. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Lease modifications are accounted for as either a new lease with an effective date of the modification or as a change in the accounting for the existing lease.

Financial Instruments
There are three measurement categories in which the Company classifies its financial assets:

- *Amortized cost:* Financial instruments that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income (expense) from these financial instruments is recorded in net income (loss) using the effective interest rate method.
- *Fair value through other comprehensive income (FVOCI):* Debt instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses that are recognized in net income (loss). When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income (loss) and recognized in other gains (losses). Interest income (expense) from these financial instruments is included in interest using the effective interest rate method. Foreign exchange gains (losses) are presented in other gains (losses) and impairment expenses in other expenses (income).
- *Fair value through profit (loss) (FVTPL):* Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) within other gains (losses) in the period in which it arises.

Financial liabilities are either classified as amortized cost or FVTPL. For financial liabilities held at amortized cost, when the Company revises its estimates of payments, it will adjust the gross carrying amount of the amortized cost of a financial liability to reflect actual and revised estimated contractual cash flows. The Company recalculates the gross carrying amount of the amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in income.

The Company classifies its financial instruments as follows:

- Cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, long-term debt and other obligations are measured at amortized cost. Interest income and interest expense are recorded in net income (loss), as applicable.
- Embedded derivatives, including the conversion feature of the Convertible Loan and the prepayment option on the Bridge Loan and Amortization Loan, are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. The conversion feature, prepayment option and the Warrants are initially measured at fair value and subsequently measured at FVTPL.

Impairment of Financial Assets
The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether the asset originated from a contract that is in the scope of IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15) or if there have been significant increases in credit risk.

- *Accounts receivable and contract assets:* For accounts receivable and contract assets, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 - *Financial Instruments* (IFRS 9), which requires the use of the lifetime expected loss provision for all accounts receivable and contract assets within the scope of IFRS 15. The Company has established a provision based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
- *Cash equivalents:* For cash equivalents and short-term investments at amortized cost, the Company applies the general approach to providing for expected credit losses. These instruments are considered to be low credit risk, and therefore, the impairment provision is determined using a 12-month expected credit loss basis.

Comprehensive Income
Comprehensive income (loss) is the change in equity from transactions and other events and circumstances from non-shareholder sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss), but that are excluded from net income (loss) calculated in accordance with IFRS. The resulting changes from translating the financial statements of foreign operations into Canadian dollars, the Company's presentation currency, are recognized in comprehensive income (loss) for the year.

Revenue Recognition
Product Sales
Revenue from product sales is recognized upon shipment of the product to the customer, provided transfer of title to the customer occurs upon shipment and provided the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped, the price is fixed and determinable and collection is reasonably assured.

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

The Company may provide discounts and rebates, to its customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount

of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. The Company applies the most likely amount method estimating discounts and rebates provided to customers using contracted rates. Consequently, revenue is recognized net of reserves for estimated sales discounts and rebates.

License Revenue
The Company has tied the sales-based royalties to the distinct performance obligation to which it relates - the license of intellectual property rights to the Company's commercial products. With the application of the sales-based royalties exception, sales-based royalties and milestone payments contingent on sales-based thresholds are recognized when the subsequent sales occur.

The license of intellectual property rights includes minimum guaranteed sales-based royalties and the Company assesses the contractual minimums as fixed consideration (where a significant reversal is remote). The Company recognizes all of the contractual minimums when control of the intellectual property rights is transferred and a contract asset is recognized. Any sales-based royalties earned, in excess of the contractual minimums, would be recognized in accordance with the royalty exception (when the subsequent sales occur). This can result in significant differences in the timing of revenue recognition and the corresponding receipt of cash flows.

Contract Revenue
Revenue from contracted services is generally recognized as the contracted services are performed and the related expenditures are incurred pursuant to the terms of the agreement and provided collectability is reasonably assured.

Government Assistance
Government assistance received under incentive programs is accounted for using the cost reduction method; whereby, the assistance is netted against the related expense or capital expenditure to which it relates when there is reasonable assurance that the credits will be realized.

Government assistance received under reimbursement or funding programs is accounted for using the cost reduction method; whereby, a receivable is set up as the costs are incurred based on the terms of reimbursement or funding program and the expected recoveries are netted against the related expense.

Net Income or Loss Per Common Share
Basic net income or loss per common share is calculated using the weighted average number of common shares outstanding during the year.

Diluted net income or loss per common share is calculated assuming the weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential shares had been issued. The dilutive effect of warrants, stock options and convertible debt is determined using the treasury-stock method. The treasury-stock method assumes that the proceeds from the exercise of warrants and options are used to purchase common shares at the volume weighted average market price during the year. The dilutive effect of convertible securities is determined using the "if-converted" method. The "if-converted" method assumes that the convertible securities are converted into common shares at the beginning of the period and all income charges related to the convertible securities are added back to income.

Income Taxes
Income taxes on profit or loss include current and deferred taxes. Income taxes are recognized in profit or loss except to the extent that they relate to business combinations or items recognized directly in equity or in OCI. Current taxes are the expected income taxes payable or recoverable on the taxable income or loss for the period, using tax rates enacted or substantively enacted, at the reporting date and any adjustment to income taxes payable in respect of previous years. The Company is subject to withholding taxes on certain forms of income earned under its in-licensing agreements from foreign jurisdictions.

Deferred income taxes are generally 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 income taxes are measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the tax laws that have been enacted or substantively enacted in the relevant jurisdiction by the reporting date.

Deferred tax assets and liabilities are recognized, where the carrying amount of an asset or a liability in the Consolidated Statements of Financial Position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries, branches and associates, and interests in joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed as at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized. Within the scope of IAS 12, *Income Taxes*, the Company recognizes its investment tax credits as a reduction against current income tax expense.

Stock-based Compensation and Other Stock-based Payments
The Company has three stock-based compensation plans: the Share Option Plan, the Share Purchase Plan and the Share Bonus Plan, each a component of the Company's Share Incentive Plan. The Company's Share Appreciation Rights Plan was discontinued on March 1, 2016. The last tranche vested January 1, 2019 with nominal value (See Note 17, *Stock-based Compensation and Other Stock-based Payments)*.

Share Incentive Plan
The Company measures and recognizes compensation expense for the Share Incentive Plan based on the fair value of the common shares or options issued.

Under the Share Option Plan, the Company issues either fixed awards or performance-based options. Options vest either immediately upon grant or over a period of one to four years or upon the achievement of certain performance-related measures or milestones. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount in contributed surplus, are credited to common shares.

Under the Share Purchase Plan, consideration paid by employees on the purchase of common shares is credited to common shares when the shares are issued. The fair value of the Company's matching contribution, determined based upon the trading price of the common shares, is recorded as compensation expense. These expenses are included in stock-based compensation expense and credited to common shares.

Under the Share Bonus Plan, the fair value of the direct award of common shares, determined based upon the trading price of the common shares, is recorded as compensation expense. These expenses are included in stock-based compensation expense and credited to contributed surplus over the vesting period, until the common shares are issued and the value is transferred from contributed surplus to common shares.

Issuance Costs of Debt Instruments
The Company records issuance costs of debt instruments against the fair value of the debt and will amortize the debt issuance costs over the remaining term of the debt.

Issuance Costs of Equity Instruments
The Company records issuance costs of equity instruments against the equity instrument that was issued. For derivative instruments, the cost of issuance is expensed immediately.

Operating Segments
IFRS 8 - *Operating Segments* requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. For the years ended December 31, 2019 and December 31, 2020, the Company had three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business (See Note 27, *Segment Reporting)*.

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

(a) Amendments to IAS 1, *Classification of Liabilities as Current or Non-current* (IAS 1)
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments to IAS 1 are not expected to have a significant impact on the Company's Consolidated Financial Statements.

(b) *Amendments to IFRS 7 - Financial Instruments*: *Disclosure* (IFRS 7); IFRS 9; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 4 - *Insurance Contracts*; and IFRS 16 - *Leases* (IFRS 16)
In August 2020, the IASB published IBOR Reform Phase 2 which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide temporary relief that allow the Trust's hedging relationships to continue upon replacement of the existing interest rate benchmark with the alternative risk-free rate resulting from IBOR reform. The relief requires the Trust to amend hedge designations and hedge documentation. Updates to hedging documentation must be made by the end of the reporting period in which a replacement takes place. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Management is in the process of assessing the impact of these amendments on contracts in scope, including our IBOR-based financial instruments and hedge relationships, if any.

(c) Reference to the Conceptual Framework – *Amendments to IFRS 3*
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

(d) Property, Plant and Equipment: Proceeds before Intended Use - *Amendments to IAS 16*
In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

(e) Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative (G&A) costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Company.

4. CHANGES IN ACCOUNTING POLICIES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2020.

(a) *Amendments to IFRS 3: Definition of a Business*
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 - *Business Combinations* (IFRS 3) to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company was not affected by these amendments on the date of transition.

(b) *Amendments to IAS 1 and IAS 8: Definition of Material*
In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments to the definition of material did not have a significant impact on the Company's Consolidated Financial Statements.

5. BUSINESS COMBINATIONS

Aralez Transaction
On December 31, 2018, the Company acquired 100% of the issued and outstanding shares of Aralez Canada, as well as control of a global portfolio of pharmaceutical products from Aralez.

In the year ended December 31, 2019, the consideration for the acquisition and preliminary measurement of assets acquired and liabilities assumed was adjusted as additional information was obtained. Measurement period fair value adjustments of $0.8 million are a result of closing working capital and indebtedness adjustments. In addition, measurement period fair value adjustments as a result of the assessment of the sales return provision, which also required a reclassification of accounts receivable, resulted in an adjustment in the amount of $2.3 million.

These adjustments have been accounted for retrospectively, as required under IFRS 3 as at December 31, 2018.

The following consolidated accounts are impacted by adjustments:

	December 31, 2018 Original	Measurement period - fair value adjustments	December 31, 2018 Restated
	$	$	$
Accounts receivable	5,217	(260)	4,957
Accounts payable and accrued liabilities	20,976	2,824	23,800
Goodwill	24,898	3,084	27,982

The Company finalized its measurement of the assets acquired and liabilities assumed as a result of the Aralez Transaction on December 31, 2019. The consideration for the acquisition and measurement of assets acquired and liabilities assumed, in accordance with IFRS 3, is as follows:

Fair Value of Consideration

	$
Amount settled in cash (US$105,100)	143,379
Fair value of contingent and variable consideration (Note 14)	475
Plus: amounts due for cash, working capital and indebtedness adjustments	1,443
Plus: adjustment made to working capital for the period ended March 31, 2019	1,104
Total consideration transferred[(i)]	**146,401**

(i) The US$110 million purchase price was reduced for working capital delivered on close that was less than the target working capital, indebtedness assumed and cash assumed upon close.

Recognized Amounts of Identifiable Net Assets

	$
Cash	4,908
Inventory	11,051
Contract asset	26,152
Property, plant and equipment	580
Patents	33,141
License agreements	51,055
Brands	1,578
Deferred tax asset	7,608
Total identifiable net assets	**136,073**
Other net working capital	(400)
Less liabilities assumed	(6,148)
Plus: adjustment to liabilities assumed for the year	290
Less: adjustment to liabilities and accounts receivable assumed for the year	(2,270)
Deferred tax liability	(7,907)
Goodwill on acquisition	**26,763**

Consideration Transferred

The Company satisfied the purchase price through funding provided by certain funds managed by Deerfield (See Note 1, *Nature of Business - The Deerfield Financing*).

The purchase agreement included contingent consideration in the form of 50% of the lifetime net earnings from monetization of the Yosprala product. The fair value of contingent consideration initially recognized represented the present value of the Company's probability-weighted estimate of cash outflows discounted at 12% (See Note 14, *Other Obligations)*. In the year ended December 31, 2019, the liability was reduced and a recovery of $0.5 million was recorded as a result of a reduction in the estimated future royalties in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Identifiable Net Assets
The identifiable patents, license agreements and brands have been valued on a product-by-product basis using an income approach. Specifically, patents and licenses were valued using a multi-period excess earnings method discounted at 12% and 20%, respectively. Brands were valued using a relief-from-royalty method incorporating a royalty rate of 3% and discount rates of 13% to 20%, respectively.

Patents and licenses are considered finite-lived intangible assets and are amortized over their estimated useful lives. Amortization commenced on January 1, 2019. Useful lives are expected to range from 4 to 27 years. Brands were concluded to be indefinite-life intangible assets, and as a result, are not being amortized.

The contract asset acquired is related to a minimum royalty the Company was entitled to receive from Horizon, as per its license agreement for Vimovo in the U.S. The fair value of the contract asset initially recognized represents the present value of the Company's then future estimated minimum royalty payments discounted at a rate of 11%. As at June 30, 2019, the Company assessed that the contract asset attributable to the Company's U.S. Vimovo royalty was impaired and a $23.6 million loss on the contract asset was recorded of which $22.4 million was reversed from the related contract asset balance with the remainder recorded as an increase in liabilities. This increase in liabilities was subsequently reversed as a generic version of Vimovo did not launch in the U.S. in 2019.

Reacquired Rights to Resultz
The Company reacquired the Canadian distribution rights to Resultz, which were previously owned by Aralez. Management determined the fair value of these rights to be $2.5 million at acquisition date and were recognized as license agreements in identifiable net assets acquired.

Goodwill
Goodwill is primarily related to growth expectations for Blexten, Cambia and Suvexx. Goodwill recognized will not be deductible for income tax purposes going forward.

6. INVENTORIES

Inventories consist of the following as at:

	December 31, 2020	December 31, 2019
	$	$
Raw materials	**2,514**	2,683
Work in process	**546**	571
Finished goods, net of provision[(i)]	**6,430**	4,673
	9,490	7,927

(i) Includes $35 inventory step-up value for inventory acquired by the Company as part of the Aralez Transaction [December 31, 2019 - $1.4 million].

During the year ended December 31, 2020, inventories in the amount of $20.4 million were recognized as COGS [December 31, 2019 - $24.2 million]. During the year ended December 31, 2020, inventories in the amount of $578 were written down [December 31, 2019 - $333]. During the year ended December 31, 2020, there were reversals of prior year write-downs of $5 and there were no reversals of prior year write-downs during the year ended December 31, 2019.

COGS for the year ended December 31, 2020 included $1.4 million of inventory step-up expense [December 31, 2019 - $5.0 million] for the sale of inventory that was acquired by the Company as part of the Aralez Transaction. In accordance with IFRS 3, inventory was initially recognized at fair value less reasonable selling costs.

7. OTHER CURRENT ASSETS

Other current assets consist of the following as at:

	December 31, 2020	December 31, 2019
	$	$
Deposits	**295**	206
Prepaid expenses[(i)]	**2,031**	999
Other receivables	**373**	590
	2,699	1,795

(i) Included in prepaid expenses for the year ended December 31, 2020 were inventory samples of $1.1 million [December 31, 2019 - $0.3 million].

8. RIGHT-OF-USE ASSETS

The change in carrying value of the Company's right-of-use assets was as follows:

	2020	2019
	$	$
As at January 1	**573**	2,845
Net additions	**635**	-
Disposal of asset	**-**	(1,843)
Remeasurement of asset	**(17)**	-
Depreciation expense	**(164)**	(338)
Foreign exchange	**-**	(91)
Balance, December 31	**1,027**	573

On February 26, 2020, the Company renegotiated its premises leases, which resulted in the surrender of two of its leases and the signing of a new lease. The renegotiation has been accounted as a single lease modification, as it was completed with the overall objective of consolidating the premises leased by the Company and all leases were entered into with the same head lessor. As part of the renegotiation, in the year ended December 31, 2020, the Company agreed to pay a termination fee of $0.2 million. The decrease in the area under lease due to the modification resulted in a decrease to the right-of-use asset of $0.1 million and a decrease to the lease liability of $0.1 million. Further, the increase in the lease term and corresponding increase in lease payments resulted in an increase to the right-of-use asset and lease liability of $0.7 million. The modification did not result in a separate lease.

9. PROPERTY, PLANT AND EQUIPMENT

PP&E consists of the following as at:

Cost	Land $	Buildings $	Leasehold Improvements $	Furniture & Fixtures $	Computer Equipment $	Production, Laboratory & Other Equipment[(ii)] $	Total $
Balance, December 31, 2018	42	1,630	610	228	262	6,217	8,989
Additions	-	24	-	-	32	26	82
Balance, December 31, 2019	42	1,654	610	228	294	6,243	9,071
Additions (disposals)	**-**	**-**	**(190)**	**5**	**35**	**90**	**(60)**
Balance, December 31, 2020	**42**	**1,654**	**420**	**233**	**329**	**6,333**	**9,011**
Accumulated depreciation							
Balance, December 31, 2018	-	987	42	78	176	3,047	4,330
Depreciation expense net of disposals	-	82	172	82	65	452	853
Balance, December 31, 2019	-	1,069	214	160	241	3,499	5,183
Depreciation expense net of disposals	**-**	**84**	**(214)**	**22**	**42**	**416**	**350**
Balance, December 31, 2020	**-**	**1,153**	**-**	**182**	**283**	**3,915**	**5,533**
Net book value as at December 31, 2019[(i)]	42	585	396	68	53	2,744	3,888
Net book value as at December 31, 2020[(i)]	**42**	**501**	**420**	**51**	**46**	**2,418**	**3,478**

(i) As at December 31, 2020 and December 31, 2019, all of the Company's PP&E was located in Canada.

10. INTANGIBLE ASSETS

Intangible assets consist of the following as at:

Cost	Patents $	Brand $	Licenses $	Software $	Total $
Balance, December 31, 2018	43,797	2,397	51,055	-	97,249
Impairment	(1,136)	(8)	(238)	-	(1,382)
Foreign exchange movements	(1,981)	(62)	-	-	(2,043)
Balance, December 31, 2019	40,680	2,327	50,817	-	93,824
Additions	**-**	**-**	**-**	**193**	**193**
Impairment	**(1,583)**	**-**	**-**	**-**	**(1,583)**
Foreign exchange movements	**(674)**	**(202)**	**-**	**-**	**(876)**
Balance, December 31, 2020	**38,423**	**2,125**	**50,817**	**193**	**91,558**
Accumulated amortization					
Balance, December 31, 2018	2,015	-	-	-	2,015
Amortization expense	5,449	-	2,907	-	8,356
Foreign exchange movements	(105)	-	-	-	(105)
Balance, December 31, 2019	7,359	-	2,907	-	10,266
Amortization expense	**5,433**	**-**	**2,881**	**-**	**8,314**
Foreign exchange movements	**(508)**	**-**	**-**	**-**	**(508)**
Balance, December 31, 2020	**12,284**	**-**	**5,788**	**-**	**18,072**
Net book value as at December 31, 2020	**26,139**	**2,125**	**45,029**	**193**	**73,486**

For impairment testing, goodwill acquired through business combinations and intangibles with indefinite useful lives are allocated to the Aralez Canada, Resultz Canada and Resultz Rest of World CGUs.

Carrying amounts of goodwill and intangibles allocated to each CGU as at December 31, 2020:

	Goodwill	**Intangibles**
	$	**$**
Aralez Canada cash-generating units	26,284	36,114
Resultz Canada cash-generating units	290	2,124
Resultz Rest of World cash-generating units	871	3,947
Remaining cash-generating units	-	31,301
Total	**27,445**	**73,486**

In the year ended December 31, 2020, the impairment loss of $1.6 million represented the write-down of certain intangible assets in the commercial and licensing and royalty segments to the recoverable amount as a result of a change in expectations. This was recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as impairment. The recoverable amount as at December 31, 2020 was based on value-in-use and was determined at the level of the CGU.

The value-in-use calculations considered forecasted cash flows of each CGU based on the current commercialization plans for these products. Cash from product sales and royalties, net of labour and infrastructure costs were included in determining the CGUs recoverable value. The Company's approach for discounted cash flow projections included consideration of prior year actuals, current market conditions and planned commercial efforts per product.

The terminal-growth rate in a range of -2% to -10% was used for discounted cash flow projections. An after-tax discount rate in a range of 11.82% to 21.82% was applied, which approximates the Company's current weighted average cost of capital.

Sensitivity Analysis
The Company's intangible asset impairment test is sensitive to changes in assumptions. An increase of 5 basis points to the discount rates used by the Company in the range of 12.41% to 22.91% for its intangible asset impairment test and assuming all other variables remain constant, would not have resulted in a material change to the value of the Company's intangible assets. A decrease of 5 basis points to the discount rates used by the Company in the range of 11.23% to 20.73% for its intangible asset impairment test and assuming all other variables remain constant, would not have resulted in a material change to the value of the Company's intangible assets.

11. GOODWILL

Goodwill consists of the following as at:

	December 31, 2020	December 31, 2019
Cost	**$**	$
Ex-U.S. Resultz acquisition	**1,187**	1,187
Aralez Transaction	**26,763**	26,763
Foreign exchange movements, cumulative	**(505)**	(370)
Balance	**27,445**	27,580

Goodwill continuity for the year ended:

	2020	2019
	$	$
Balance, January 1	**27,580**	24,898
Measurement period fair value adjustments	**-**	3,084
Revised balance, January 1	**27,580**	27,982
Foreign exchange movements	**(135)**	(402)
Balance, December 31	**27,445**	27,580

Goodwill is recognized on the acquisition date when total consideration exceeds the net identifiable assets acquired. Refer to Note 10, *Intangible Assets* for the Company's annual impairment test performed at the CGU level.

Aralez Canada CGU
The recoverable amount of the Aralez Canada CGU as at December 31, 2020 has been determined based on a value-in-use calculation using cash flow projections and financial budgets approved by the Board of Directors. An after-tax discount rate of 16.82% was applied, along with a terminal-growth rate in a range of -2% to -5%. It was concluded that the carrying value did not exceed the value-in-use. As a result of this analysis, management did not identify an impairment for this CGU.

Resultz Canada CGU
The recoverable amount of the Resultz Canada CGU as at December 31, 2020 has been determined based on a value-in-use calculation using cash flow projections and financial budgets approved by the Board of Directors. An after-tax discount rate of 11.82% was applied along with a terminal-growth rate of -5%. It was concluded that the carrying value did not exceed the value-in-use. As a result of this analysis, management did not identify an impairment for this CGU.

Resultz Rest of World CGU
The recoverable amount of the Resultz Rest of World CGU as at December 31, 2020 has been determined based on a value-in-use calculation using cash flow projections and financial budgets approved by the Board of Directors. An after-tax discount rate of 16.82% was applied along with a terminal-growth rate of -5%. It was concluded that the carrying value did not exceed the value-in use. As a result of this analysis, management did not identify an impairment for this CGU.

Sensitivity analysis
The Company's goodwill impairment test is sensitive to changes in assumptions. An increase or decrease of 5 basis points to the discount rates used by the Company, assuming all other variables remain constant, for its goodwill impairment test would not have resulted in a material change to the value of the Company's Aralez Canada CGUs, Resultz Canada and Resultz Rest of World.

12. LOANS AND BORROWINGS

The Company financed the Aralez Transaction through funding provided by Deerfield on December 31, 2018. The Company received total proceeds of $161.7 million (US$118.5 million) from Deerfield in exchange for issuing the Amortization Loan, the Bridge Loan, the Convertible Loan and Warrants. In addition to these freestanding instruments, there were two embedded derivatives requiring bifurcation: the conversion feature in the Convertible Loan (See Note 13, *Derivative Liabilities*) and the prepayment option in the Amortization Loan.

The Company's loans and borrowings were measured at amortized cost as follows:

	December 31, 2020	December 31, 2019
	$	$
CURRENT		
Bridge Loan (i)	**-**	4,493
Amortization Loan (ii)	**12,337**	13,892
	12,337	18,385
NON-CURRENT		
Amortization Loan (ii)	**39,116**	54,572
Convertible Loan – debt host (iii)	**52,244**	50,420
	91,360	104,992

The Loans are guaranteed by Aralez Canada and cross-guaranteed by each of the Company and Miravo Ireland as to each other's obligations and are secured by a first ranking charge over substantially all property of each of the Company, Miravo Ireland and Aralez Canada.

The Amortization Loan, Bridge Loan and Convertible Loan were issued on December 31, 2018. Interest on these Loans is accrued and paid on a quarterly basis. Any repayment of principal on the Amortization Loan and Bridge Loan prior to their respective payment terms is considered a prepayment to which a 0.25% prepayment fee applies. Early repayment is not permitted for the Convertible Loan.

The Company has the right to prepay the Amortization Loan and Bridge Loan at any time. The fair value of the prepayment option bifurcated from the Amortization Loan was a derivative asset with a nominal value as at December 31, 2020 and is presented net of the non-current portion of the long-term debt. The prepayment option on the Bridge Loan was deemed to be clearly and closely related to the host and no bifurcation was required. During the year ended December 31, 2020, the Company repaid the $4.5 million (US$3.5 million) outstanding balance of the US$6.0 million Bridge Loan.

Each quarter, the Company is required to pay to the lenders the greater of US$2.5 million or 50% of the Company's excess cash flows, a defined term in the facility agreement with Deerfield (Deerfield Facility Agreement), which is applied in the following order: (a) any unpaid fees and transaction costs; (b) proportionately to any accrued and unpaid interest related to these Loans; (c) any unpaid principal of the Bridge Loan, including the applicable prepayment fee; (d) any unpaid principal of the Amortization Loan, including the applicable prepayment fee; and (e) any other obligations owing to the lenders, administrative agent or other secured parties (the Waterfall Provisions).

In the year ended December 31, 2019, the Company was permitted to delay the minimum principal payments if a minimum of US$10 million in aggregate was paid by the payment date of the fourth quarter. During the year ended December 31, 2020, the Company made principal loan repayments of $4.5 million (US$3.5 million) applied to the Bridge Loan and $17.9 million (US$13.3 million) applied to the Amortization Loan. As a result of the Waterfall Provisions, the first US$6.0 million, including those payments made in 2019, were applied to the Bridge Loan. The remaining US$4.0 million in respect of the 2019 minimum principal payment was paid in the three months ended March 31, 2020, which was applied to the Amortization Loan, and was included in the total $17.9 million (US$13.3 million) Amortization Loan payment. Quarterly principal payments are to be made on the Amortization Loan until December 31, 2024.

The Company agreed to an amendment to the financing agreement dated June 25, 2019 to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company to defer a portion of the mandatory minimum quarterly repayments by the difference between one quarter of the then existing US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter, in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. A generic version of Vimovo entered the U.S. market in the year ended December 31, 2020. The amount of any principal repayment deferred would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. To-date, the Company has not availed itself of the deferral mechanism. The carrying value of the debt includes assumptions regarding the deferral option when estimating the timing of payments. As a result of changes in the assumptions regarding the timing of the payments in the current and comparative years, and a modification of debt in the comparative year, a gain on revaluation of long-term debt of $2.4 million was recorded in Other Losses (Gains) in the year ended December 31, 2020 [December 31, 2019 – a loss of $2.2 million].

(i) Bridge Loan

The Bridge Loan was issued on December 31, 2018 in the principal amount of $8.2 million (US$6.0 million). The carrying value reflects an allocation of transaction costs, which reduced the carrying value of the respective liability and are reflected in the calculation of interest expense under the effective interest rate method. During the year ended December 31, 2020, the Company repaid the outstanding balance of the Bridge Loan.

The change in the carrying value of this liability was as follows:

	2020	2019
	$	$
As at January 1	**4,493**	7,986
Prepayment	**(4,528)**	(3,354)
Interest accretion during the year	**(8)**	(214)
Modification on prepayment and debt amendment	**-**	361
Foreign currency movement	**43**	(286)
Balance, December 31	**-**	4,493

(ii) Amortization Loan
The Amortization Loan was issued on December 31, 2018 in the principal amount of $81.9 million (US$60 million). The carrying value reflects an allocation of transaction costs, which reduced the carrying value of the respective liability and are reflected in the calculation of interest expense under the effective interest rate method.

The change in the carrying value of this liability was as follows:

	2020 **$**	2019 $
As at January 1	**68,464**	65,985
Principal repayment	**(17,908)**	-
Interest accretion during the year	**3,851**	3,940
Change in fair value of long-term debt	**(2,434)**	-
Modification on debt amendment	**-**	1,805
Foreign currency movement	**(520)**	(3,266)
Balance, December 31	**51,453**	68,464

(iii) Convertible Loan
The Convertible Loan was issued on December 31, 2018 in the principal amount of $71.6 million (US$52.5 million), convertible at any time at the option of the holder into 19,444,444 common shares of the Company at a conversion price of US$2.70 per share. Interest is payable on a quarterly basis and any debenture not converted will be repaid on December 31, 2024. The fair value of the conversion feature as at December 31, 2020 in the amount of $5.7 million has been classified as a derivative financial liability, as described in Note 13, *Derivative Liabilities*. The carrying value reflects an allocation of transaction costs, which reduces the carrying value of the respective liability and are reflected in the calculation of interest expense under the effective interest rate method.

The change in carrying value of this liability was as follows:

	2020 **$**	2019 $
As at January 1	**50,420**	50,236
Interest accretion during the year	**2,966**	2,640
Foreign currency movement	**(1,142)**	(2,456)
Balance, December 31	**52,244**	50,420

13. DERIVATIVE LIABILITIES

The Company's derivative liabilities are measured at fair value through profit or loss and are summarized below:

	December 31, 2020 **$**	December 31, 2019 $
Conversion feature on Convertible Loan	**5,664**	837
Warrants	**8,001**	1,392
	13,665	2,229

During the year ended December 31, 2020, the Company recognized non-cash charges of $11.7 million on the change in fair value of derivative liabilities [December 31, 2019 - $31.1 million recovery]. During the year ended December 31, 2020, the Company recognized a gain on foreign exchange of $0.3 million [December 31, 2019 - $0.3 million gain].

Conversion feature
The conversion feature is embedded in the Convertible Loan described in Note 12, *Loans and Borrowings* and allows the holder to convert the outstanding principal amount of the debentures into common shares of the Company at any time at a conversion price of US$2.70 per share, subject to a restriction that the holder shall not ultimately hold more than 4.985% of the total number of common shares of the Company at any one time.

Warrants
On December 31, 2018, the Company issued 25,555,556 Warrants with a total fair value of $19.1 million (US$14.0 million). Each Warrant is exercisable at the option of the holder for one common share of the Company at an exercise price of $3.53 per Warrant and expires December 31, 2024. Any exercise is subject to a restriction that the holder shall not ultimately hold more than 4.985% of the total number of common shares of the Company at any one time. The fair value of the Warrants is determined using the Black-Scholes option pricing model. The Warrants contain contingent settlement provisions that would require the Company to settle the Warrants as a financial liability in certain circumstances, some of which are beyond the control of both the Company and the holder, such as bankruptcy or insolvency, which requires the Warrants to be classified as derivative liabilities.

There are three methods of Warrant settlement, all at the option of the holder. The first method of settlement requires the holder to remit the exercise price of $3.53 per Warrant and the Company will issue a common share of the Company. The second method results in the $3.53 per Warrant strike price being applied as a payment against the principal balance of the Amortization Loan outstanding. The third method of exercise applies to those Warrants classified as Flexible Exercise Shares (FES). Warrants considered FES can be exercised without upfront remuneration to the Company. Instead, the Company issues fractional shares equal to the difference between the current share price and the $3.53 exercise price of the Warrant. As at December 31, 2020, 8,266,667 of the 25,555,556 Warrants outstanding were classified as FES.

Following a Major Transaction (as defined in the Deerfield Facility Agreement), subject to certain conditions, the Warrants will become exercisable for an additional number of common shares determined in accordance with the terms of the Warrants, subject to continued application of the 4.985% cap, except that in the case of certain Major Transactions involving the conversion of the common shares into the right to receive cash, securities or other assets (either under the Major Transaction or a subsequent liquidation of the Company), a holder of Warrants is permitted to exercise the Warrants (without the application of the 4.985% cap) for the additional number of common shares described above immediately prior to and conditional upon completion of the Major Transaction, such that the holder ultimately receives the cash, securities or other assets, as applicable, in exchange for such common shares on the same terms as other holders of common shares. See the Deerfield Facility Agreement and the forms of Convertible Notes and Warrants filed under the Company's profile on www.sedar.com (under Nuvo Pharmaceuticals Inc.).

Inputs to fair value models
Key assumptions used in determining the fair values of the Company's derivative liabilities at initial recognition and period-end are summarized below as at:

Conversion Feature		
Issue date	**December 31, 2018**	December 31, 2018
Valuation date	**December 31, 2020**	December 31, 2019
Share price	**$0.91**	$0.45
Risk-free interest rate	**0.26%**	1.69%
Discount for lack of marketability	**10.00%**	28.00%
Dividend yield	**0%**	0%
Volatility factor	**91.5%**	70.00%
Expected life	**4 years**	5 years

Warrants		
Issue date	**December 31, 2018**	December 31, 2018
Valuation date	**December 31, 2020**	December 31, 2019
Share price	**$0.91**	$0.45
Risk-free interest rate	**0.32%**	1.67%
Discount for lack of marketability	**10.00%**	28.00%
Dividend yield	**0%**	0%
Volatility factor	**91.5%**	70.00%
Expected life	**4 years**	5 years

14. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	December 31, 2020	December 31, 2019
	$	$
Contingent and variable consideration related to the ex-U.S. acquisition of Resultz	**2,180**	2,814
Contingent and variable consideration related to the acquisition of Aralez	**1,074**	-
Lease obligations[(i)]	**1,465**	594
Less amounts due within one year	**(396)**	(372)
Long-term balance	**4,323**	3,036

[(i)] As at December 31, 2020, the Company recognized $1.5 million [December 31, 2019 - $0.6 million] of lease obligations related to IFRS 16 – *Leases* (IFRS 16).

As at December 31, 2020, the contingent consideration liability related to the ex-U.S. Resultz acquisition and the Aralez Transaction. The ex-U.S. Resultz acquisition included additional contingent consideration based on meeting certain milestones in partnered markets, payable only if those targets are achieved, as well as variable consideration based on annual royalties earned in non-partnered markets. The Aralez Transaction included contingent consideration in the form of 50% of the lifetime net earnings from monetization of the Yosprala product. The fair value of contingent consideration initially recognized represented the present value of the Company's probability-weighted estimate of cash outflows related to the monetization of the Yosprala product in the U.S. market. As at December 31, 2019, the fair value of contingent consideration for the Japanese market was $nil based on the present value of the Company's probability-weighted estimate of cash outflows related to the monetization of the Yosprala product. Contingent consideration related to profits earned from Yosprala, related to the Japanese market, increased to $2.6 million (US$1.8 million) in the three months ended March 31, 2020, as the Japanese licensee of Yosprala obtained regulatory approval, which triggered two milestone payments due to Miravo Ireland of US$2.0 million each, less related costs. This resulted in the recognition of $5.5 million (US$3.9 million) in license revenue for the three months ended March 31, 2020 (See Note 26, *Revenue*). Miravo Ireland received the first $2.5 million (US$1.8 million) milestone payment, net of withholding tax in the three months ended June 30, 2020, and the second milestone payment is to be received no later than May 31, 2022, provided the licensed intellectual property remains valid and enforceable. The receipt of these milestone payments trigger payment of the contingent consideration. In the three months ended June 30, 2020, the Company made a contingent consideration payment of $1.1 million.

Contingent and Variable Consideration

The change in the carrying value of this liability was as follows:

	2020	2019
	$	$
As at January 1	**2,814**	1,667
Recognition of contingent consideration in relation to the Aralez Transaction	**2,548**	-
Remeasurement of contingent consideration in relation to the ex-U.S. acquisition of Resultz	**(710)**	1,698
Payments during the year	**(1,168)**	-
Additions to contingent consideration in relation to the Aralez Transaction	**171**	-
Change in estimates in relation to the contingent consideration in relation to the Aralez Transaction	**(561)**	(475)
Interest Accretion	**76**	-
Foreign exchange	**84**	(76)
Balance, December 31	**3,254**	2,814

Lease Obligations
The change in the carrying value of this liability was as follows:

	2020 **$**	2019 $
As at January 1	**594**	5
Transition to IFRS 16	**-**	2,805
Disposal of obligation [(i)]	**-**	(1,880)
Modification of lease (Note 8)	**632**	-
Payments during the year	**(253)**	(389)
Interest expense during the year	**89**	128
Remeasurement	**(17)**	-
Lease Incentive	**420**	-
Foreign exchange	**-**	(75)
Balance, December 31	**1,465**	594

[(i)] In the year ended December 31, 2019, the Company transferred the lease obligation for the leased property in Ireland to an outside party resulting in a gain on disposal of $38.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the year ended December 31, 2020, included $3.2 million of accrued royalties, rebates and returns [December 31, 2019 - $3.2 million].

16. CAPITAL STOCK

Authorized

- Unlimited first and second preferred shares, non-voting, non-participating, issuable in series, number, designation, rights, privileges, restrictions and conditions are determinable by the Company's Board of Directors.
- Unlimited common shares, voting, without par value.

17. STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Company has three stock-based compensation plans: the Share Option Plan, the Share Purchase Plan and the Share Bonus Plan, each a component of the Company's Share Incentive Plan.

Share Incentive Plan
On May 11, 2020, the Company's shareholders approved a resolution affirming, ratifying and approving the Share Incentive Plan and approving all of the unallocated common shares issuable pursuant to the Share Incentive Plan. The Toronto Stock Exchange (TSX) requires that the Company's Share Incentive Plan, along with any unallocated options, rights or other entitlements, receive shareholder approval at the Company's annual meeting every three years.

The maximum number of common shares that will be reserved for issuance under the Share Incentive Plan shall be 15% of the total number of common shares outstanding from time-to-time. The allocation of such maximum percentage among the three sub plans comprising the Share Incentive Plan shall be determined by the Board of Directors from time-to-time (provided that the maximum number of common shares that may be issued under the Share Bonus Plan shall not exceed a fixed number of common shares equal to 3% of the number of common shares outstanding immediately following the arrangement, which was 344,615).

As at December 31, 2020, the number of common shares available for issuance under the Share Incentive Plan was 136,337.

Share Option Plan

Under the Share Option Plan, the Company may grant options to purchase common shares to officers, directors, employees or consultants of the Company or its affiliates. Options issued under the Share Option Plan are granted for a term not exceeding ten years from the date of grant. All options issued to-date have a life of ten years. In general, options have vested either immediately upon grant or over a period of one to four years or upon the achievement of certain performance-related measures or milestones. Under the provisions of the Share Option Plan, the exercise price of all stock options shall not be less than the closing price of the common shares on the last trading date immediately preceding the grant date of the option.

The following is a schedule of the options outstanding as at:

	Options 000s	Range of Exercise Price $	Weighted Average Exercise Price $
Balance, December 31, 2018	1,189	1.53 - 11.18	4.64
Granted	328	0.63 - 2.30	2.14
Forfeited	(53)	2.30 - 3.80	2.51
Expired	(42)	3.80 - 11.18	6.09
Balance, December 31, 2019	1,422	0.63 - 11.18	4.10
Granted	**275**	**0.57 - 0.68**	**0.58**
Expired	**(125)**	**1.53 - 11.18**	**5.33**
Balance, December 31, 2020	**1,572**	**0.57 - 5.75**	**3.38**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options were valued with a calculated forfeiture rate of 7% [December 31, 2019 - 7%] and the remaining model inputs for options granted during the year ended December 31, 2020 were as follows:

Options 000s	Grant Date	Share Price $	Exercise Price $	Risk-free Interest Rate %	Expected Life (years)	Volatility Factor %	Fair Values $
240	March 27, 2020	0.57	0.57	1.22	5 - 7	69 - 71	0.34 - 0.38
35	May 13, 2020	0.68	0.68	0.38	5 - 7	69 - 72	0.38 - 0.42

The following table summarizes the outstanding and exercisable options held by directors, officers, employees and consultants as at December 31, 2020:

	Outstanding			Exercisable	
Exercise Price Range $	Options 000s	Remaining Contractual Life years	Weighted Average Exercise Price $	Vested Options 000s	Weighted Average Exercise Price $
0.57 - 1.53	350	8.36	0.72	138	0.92
1.54 - 2.65	402	6.42	2.41	267	2.49
2.66 - 5.08	341	4.85	4.12	269	4.27
5.09 - 5.75	479	5.84	5.63	429	5.62
	1,572	**6.34**	**3.38**	**1,103**	**3.94**

Share Purchase Plan

Under the Share Purchase Plan, eligible officers or employees of the Company may contribute up to 10% of their annual base salary to the plan to purchase the Company's common shares. The Company matches each participant's contribution by issuing the Company's common shares having a value equal to the aggregate amount contributed by each participating employee.

During the years ended December 31, 2020 and 2019, there was no issuance of shares under the Share Purchase Plan.

Summary of Stock-based Compensation

Stock-based compensation, under the Share Option Plan, for the year ended December 31, 2020 was $0.3 million [December 31, 2019 - $0.5 million], which included $31 in COGS for the year ended December 31, 2020 [December 31, 2019 - $41] and $0.2 million in G&A expenses for the year ended December 31, 2020 [December 31, 2019 - $0.4 million].

18. NET INTEREST EXPENSE

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Interest expense on financial liabilities measured at amortized cost[(i)]	**11,925**	12,756
Interest income on contract assets	**(406)**	(2,265)
Interest income on cash and cash equivalents	**(78)**	(186)
Net interest expense (income)	**11,441**	10,305

(i) The Deerfield Financing requires the Company to make quarterly interest payments on outstanding loans. The coupon rate for the Amortization Loan and the Convertible Loan is 3.5%. The coupon rate for the Bridge Loan was 12.5%. During the year ended December 31, 2020, the Company repaid the outstanding balance of $4.5 million (US$3.5 million) of the original US$6.0 million Bridge Loan, paid $17.9 million (US$13.3 million) in principal payments applied to the Amortization Loan and made cash payments of $5.0 million (US$3.8 million) to Deerfield for interest due. The Company chose not to defer any amount of the minimum payment due for the year ended December 31, 2020.

19. OTHER LOSSES (GAINS)

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Loss (gain) on valuation of long-term debt	**(2,434)**	2,165
Loss on disposal of fixed assets	**180**	-
Other losses (gains)	**161**	(143)
Other losses (gains)	**(2,093)**	2,022

The Company agreed to an amendment to the financing agreement dated June 25, 2019, to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company to defer a portion of the mandatory minimum quarterly principal repayments by the difference between one quarter of the existing US$7.5 million minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. The amount of any principal repayment deferred would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. As a result of changes in the assumptions regarding the timing and amount of debt repayments, a gain on revaluation of long-term debt of $2.4 million was recorded in the year ended December 31, 2020 [December 31, 2019 - $nil]. As a result of a modification of long-term debt related to the amendment, a gain (loss) on modification of $nil was recorded in the year ended December 31, 2020 [December 31, 2019 - loss of $2.2 million].

20. NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is computed as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Basic income (loss) per share:		
Net income (loss)	**(4,129)**	3,399
Average number of shares outstanding during the year	**11,388**	11,388
Basic income (loss) per share	**(0.36)**	0.30
Net income (loss)	**(4,129)**	3,399
Dilutive effect of:		
Warrants	**-**	(15,415)
Convertible Loan	**-**	(9,965)
Stock options	**-**	-
Net loss, assuming dilution	**(4,129)**	(21,981)
Average number of shares outstanding during the year	**11,388**	11,388
Dilutive effect of:		
Warrants	**-**	12,625
Convertible Loan	**-**	19,444
Stock options	**-**	-
Weighted average common shares outstanding, assuming dilution	**11,388**	43,457
Diluted loss per share	**(0.36)**	(0.51)

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments were exercised or converted as at:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Weighted Average Exercise Price	**Units Outstanding**	Weighted Average Exercise Price	Units Outstanding
	$	**000s**	$	000s
Common shares issued and outstanding	**n/a**	**11,388**	n/a	11,388
Stock options outstanding (Note 17)	**4.10**	**1,572**	4.10	1,422
Warrants (Note 13)	**3.53**	**25,556**	3.53	25,556
Convertible Loan (Note 12)	**US2.70**	**19,444**	US2.70	19,444
		57,960		57,810

21. EXPENSES BY NATURE

The Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) include the following expenses by nature:

(a) Employee costs, excluding Canada Emergency Wage Subsidy:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Short-term wages, bonuses and benefits	**13,615**	15,666
Share-based payments	**242**	339
Termination benefits	**-**	753
Total employee costs	**13,857**	16,758
Included in:		
Cost of goods sold	**3,156**	3,087
Sales and marketing	**4,055**	5,073
General and administrative expenses	**6,646**	8,598
Total employee costs	**13,857**	16,758

Employee costs, net of Canada Emergency Wage Subsidy payments:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Short-term wages, bonuses and benefits	**12,380**	15,666
Share-based payments	**242**	339
Termination benefits	**-**	753
Total employee costs	**12,622**	16,758
Included in:		
Cost of goods sold	**2,731**	3,087
Sales and marketing	**3,692**	5,073
General and administrative expenses	**6,199**	8,598
Total employee costs	**12,622**	16,758

(b) Depreciation and amortization:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Amortization of intangibles	**8,314**	8,356
Cost of goods sold	**434**	470
General and administrative expenses	**508**	720
Total depreciation and amortization	**9,256**	9,546

22. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Accounts receivable[(i)]	**7,595**	(8,971)
Inventories	**(3,547)**	508
Contract assets	**2,374**	4,990
Other current assets	**(902)**	1,176
Accounts payable and accrued liabilities[(ii)]	**(1,411)**	(11,698)
Current income taxes payable	**701**	(74)
Net change in non-cash working capital	**4,810**	(14,069)

(i) For the year ended December 31, 2020, the decrease in accounts receivable primarily related to the timing of receipt of accrued royalties.

(ii) For the year ended December 31, 2019, the decrease in accounts payable and accrued liabilities primarily related to the Company settling final consideration associated with the Aralez Transaction, indebtedness acquired with the Aralez Transaction and the settlement of transaction costs accrued as at December 31, 2018.

23. INCOME TAXES

Deferred Tax Assets and Liabilities

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A significant component of deferred tax assets (liabilities) is the accounting value of indefinite lived intangible assets in excess of tax basis for the year ended December 31, 2020 of $(0.3) million [December 31, 2019 - $(0.3) million].

A deferred income tax asset has not been recognized for certain temporary differences that may be available to reduce income subject to tax in a taxation period subsequent to the period covered by these Consolidated Financial Statements. The tax effected amounts of such temporary differences that have not been recognized in the Consolidated Statements of Financial Position or Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Investment tax credits	**1,737**	1,730
Accounting value of PP&E and intangibles in excess of tax basis	**(3,864)**	(2,453)
Financing costs, deferred revenue and other	**312**	812
Capital losses	**12,640**	12,664
Non-capital and operating losses	**9,123**	8,804
Other	**(208)**	31
	19,740	21,588

A reconciliation between the Company's statutory and effective tax rates is presented below:

	Year ended December 31, 2020	Year ended December 31, 2019
	%	%
Statutory rate	**26.50**	26.64
Items not deducted for tax	**(142.41)**	(206.02)
Utilization of previously unrecognized deferred tax assets	**47.88**	85.04
Foreign rate differences	**37.63**	95.71
Withholding taxes	**(9.37)**	-
Other	**0.16**	(0.57)
	(39.61)	0.80

The Company has net capital losses of $47.7 million in Canada available to offset net taxable capital gains in future years that have not been recognized [December 31, 2019 - $47.8 million].

Government Assistance

A portion of the Company's research and development expenditures are eligible for Canadian federal investment tax credits that it may carry forward to offset any future Canadian federal income taxes payable as follows:

Year of Credit	**Amount**	**Year of Expiry**
	$	
2004	149	2024
2005	130	2025
2006	121	2026
2007	340	2027
2008	234	2028
2009	142	2029
2010	395	2030
2011	208	2031
2012	43	2032
2014	80	2034
2015	494	2035
2016	27	2036
	2,363	

The benefits of these non-refundable Canadian federal investment tax credits have not been recognized in these Consolidated Financial Statements.

Non-capital Losses

Year of Losses	Amount $	Year of Expiry
2011	2,040	2031
2012	-	2032
2013	-	2033
2014	145	2034
2015	11,414	2035
2016	7,523	2036
2017	978	2037
2018	126	2038
2019	2,501	2039
2019	16,810	Indefinite
2020	5,026	2040
	46,563	

As at December 31, 2020, the Company has not recognized the benefits of Canadian and foreign non-capital losses of $30.0 million and $16.7 million, respectively [December 31, 2019 - $28.1 million and $17.8 million, respectively].

24. COMMITMENTS AND CONTINGENCIES

The Company has minimum future payments under variable lease payment obligations, purchase commitments, minimum royalties and anticipated milestones for the 12 months ending December 31 as follows:

	$
2021	4,936
2022	5,076
2023	3,977
2024	6,030
2025	471
2026 and thereafter	1,320
	21,810

For the year ended December 31, 2020, payments for lease obligations totalled $0.3 million [December 31, 2019 - $0.3 million].

Under the terms of the Pennsaid 2% U.S. Asset Sale with Horizon, the Company is contractually obligated to manufacture Pennsaid 2% for the U.S. market to December 2029 and, unless terminated, the supply agreement will renew for successive two-year terms, thereafter. The agreement provides for tiered pricing based on volumes of product shipped. The Company is also required to maintain certain raw material inventory levels. The Company has additional long-term supply contracts where the Company is contractually obligated to manufacture Pennsaid 2% and Pennsaid for its customers.

The Company has a long-term supply agreement with a third-party manufacturer for the supply of dimethyl sulfoxide, one of the key raw materials in Pennsaid 2% and Pennsaid, which expires in December 2022. The agreement automatically renews for successive three-year terms, unless terminated in writing by either party at least 12 months prior to the expiration of the current term. The agreement requires the Company to purchase 100% of its dimethyl sulfoxide requirements from the third-party manufacturer at specified pricing, but does not contain any minimum purchase commitments.

The Company has a long-term supply agreement with a third-party manufacturer for Blexten. The agreement automatically renews for successive five-year terms, unless terminated in writing by either party at least 12 months

prior to the expiration of the current term in 2024. The agreement requires the Company to purchase 100% of its Blexten requirements from the third-party manufacturer at specified pricing.

Under certain licensing agreements for the Heated Lidocaine/Tetracaine (HLT) Patch, Resultz, Blexten, Cambia and Durela®, the Company is required to make royalty payments ranging from 1% to 30% for annual net sales and certain milestones payments.

Under certain exclusive distribution agreements, the Company is required to make minimum royalty payments to a company of $0.3 million per year and 30% incremental royalty payments on net receipts above the minimum payments for Soriatane™.

During the current and comparative years, the Company leased property for offices in Canada and Ireland. The Company expenses the lease payments for short-term leases and low-value leases as incurred. There are no financial covenants imposed by any of the leases.

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Interest expense on lease liabilities	**89**	128
Expenses related to variable lease payments not classified as lease obligations	**207**	238
Total cash outflow for leases classified as lease obligations	**253**	389

The Company did not have any sale and leaseback transactions during the year ended December 31, 2020.

The Company's future cash outflows may change due to variable lease payments, renewal options, termination options, residual value guarantees and leases not yet commenced to which the Company is committed, but are not reflected in the lease obligations.

The following is a maturity analysis for undiscounted lease payments that are reflected in the lease obligations as at December 31, 2020:

	$
Less than 1 year	184
1 to 2 years	226
2 to 3 years	238
3 to 4 years	238
Beyond 4 years	1,516
	2,402

On October 30, 2019, the Company received an application for an industry-wide class action in the Superior Court of Québec. In the application, the Company was named as a defendant, along with 33 other defendants, which includes a group of companies that manufacture, market, and/or distribute opioids in Québec. The claim is for $30, plus interest for compensatory damages for each class member, $25.0 million from each defendant for punitive damages and pecuniary damages for each class member. The financial impact cannot be estimated at this time, as the class has not yet been defined by the court. The Company believes that the claim is without merit and intends to vigorously defend the matter.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments at Amortized Cost

For year ended December 31, 2020, the Company recognized $78 in interest income from financial assets held at amortized cost [December 31, 2019 - $0.2 million].

For year ended December 31, 2020, the Company recognized $11.9 million in interest expense from financial liabilities held at amortized cost [December 31, 2019 - $12.8 million].

Credit Risk

The Company, in the normal course of business, is exposed to credit risk from its global customers, most of whom are in the pharmaceutical industry. The accounts receivable and contract assets are subject to normal industry risks in each geographic region in which the Company operates. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement.

As at December 31, 2020, the Company's largest customer represented 30% [December 31, 2019 - 49%] of accounts receivable. Pursuant to their collective terms, accounts receivable, net of allowance, were aged as follows:

	December 31, 2020	December 31, 2019
	$	$
Current	**7,018**	9,064
0 - 30 days past due	**463**	777
31 - 60 days past due	**2**	60
Over 60 days past due[(i)]	**5**	4,486
	7,488	14,387

(i) See "*loss allowance provision*" below.

The loss allowance provision for the Production and Service Business segment as at December 31, 2020 was determined using reference to expected loss rates and management judgment as follows:

		Current	**Less than 181 days past due**	**181 to 270 days past due**	**271 to 365 days past due**	**More than 365 days past due**	**Total**
Expected loss rate	**%**	0%	0%	25%	50%	100%	
Gross carrying amount	**$**	33	268	-	-	-	**301**

The loss allowance provision for the Commercial Business and Licensing and Royalty Business segments as at December 31, 2020 was determined using reference to expected loss rates and management judgment as follows:

		Current	**Less than 61 days past due**	**61 to 120 days past due**	**121 to 180 days past due**	**More than 181 days past due**	**Total**
Expected loss rate	**%**	0%[(i)]	0%[(i)]	25%	50%	100%	
Gross carrying amount	**$**	7,063	215	-	-	-	**7,278**
Loss allowance provision	**$**	(76)	-	(15)	-	-	**(91)**

(i) Loss allowance provision balance consists of credit memos and purchase deductions on invoices that take time to be processed. As a result, loss provision is 0%.

During the year ended December 31, 2020, the Company recorded $nil bad debt reversal in total comprehensive income (loss) [December 31, 2019 - $0.1 million]. For the year ended December 31, 2020, the impairment of accounts receivable was assessed based on the expected credit losses model in compliance with IFRS 9. Individual receivables that were known to be uncollectible were written off by reducing the carrying amount directly.

For contract assets within the scope of IFRS 15, the Company recognizes an asset to the extent contractual minimums established in certain customer licensing agreements are deemed fixed consideration. After analysis of historical default rates and forward-looking estimates, the Company's contract assets were considered to have low credit risk, and as a result, the Company has not recognized a loss allowance as at December 31, 2020 [December 31, 2019 - $nil].

The Company's cash and cash equivalents subject the Company to a concentration of credit risk. As at December 31, 2020, the Company had $23.8 million deposited with three financial institutions in various bank accounts. These financial institutions are major banks located in Canada, the U.S. and Ireland, which the Company believes lessens

the degree of credit risk. All of these financial institutions are considered to have low credit risk and, therefore, the provision recognized during the current year was limited to 12 months of expected losses. The Company has not recognized a loss allowance as at December 31, 2020 [December 31, 2019 - $nil].

The Company has not noted a significant change in the credit risk of the financial instruments related to the recent novel coronavirus (COVID-19) pandemic,

Financial Instruments

IFRS 7 requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. All assets and liabilities for which fair value is measured or disclosed in these Consolidated Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets
- Level 2 - Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data
- Level 3 - Significant unobservable inputs that are supported by little or no market activity

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the year ended December 31, 2020.

As at December 31, 2020, the Company's financial assets and liabilities consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, contingent and variable consideration, long-term debt and derivative liabilities. The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and their fair values approximate carrying values. Cash and cash equivalents are Level 1, while the other short-term financial instruments are Level 3.

The fair values of the Loans are Level 3 measurements determined using a discounted cash flow model that considers the present value of the contractual cash flows using a risk-adjusted discount rate. The Company recognized $103.7 million for the Amortization Loan and host liability of the Convertible Loan as at December 31, 2020 [December 31, 2019 - $123.4 million]. During year ended December 31, 2020, the Company repaid the $4.5 million (US$3.5 million) outstanding balance of the US$6.0 million Bridge Loan.

The conversion feature that accompanies the Company's Convertible Loan is considered a Level 3 liability. The value is determined as the difference between the fair value of the hybrid Convertible Loan contract, determined using an income approach with a binomial-lattice model and the fair value of the host liability contract, determined using a discounted cash flow model, as described in Note 13, *Derivative Liabilities*. The Company recognized $5.7 million for the conversion feature as at December 31, 2020 [December 31, 2019 - $0.8 million].

The fair values of the prepayment option that allows the Company to make prepayments against the Bridge Loan or Amortization Loan at any time is considered a Level 3 financial instrument. The fair value of the prepayment option bifurcated from the Amortization Loan was a derivative asset with a nominal value as at December 31, 2020 and is presented net of the non-current portion of the long-term debt (See Note 12, *Loans and Borrowings*). The fair value of this option was determined using a binomial-lattice model.

The fair value of the Company's Warrants is revalued at each reporting period using the Black-Scholes option pricing model. As at December 31, 2020, the Company recognized a $8.0 million derivative liability related to outstanding Warrants [December 31, 2019 - $1.4 million]. These Warrants are Level 3.

Level 3 liabilities include the fair value of contingent and variable consideration related to the acquisition of the ex-U.S. rights to Resultz and the Aralez Transaction.

Risk Factors
The following is a discussion of liquidity risk and market risk and related mitigation strategies that have been identified. Credit risk has been discussed in the Company's assessment of impairment under IFRS 9. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations as they become due.

As at December 31, 2020, the Company's financial liabilities had undiscounted contractual maturities (including interest payments where applicable) as summarized below:

		Current	Non-current		
	Total $	Within 12 Months $	1 to 2 Years $	2 to 5 Years $	> 5 Years $
Accounts payable and accrued liabilities	**8,314**	8,314	-	-	-
Other obligations	**5,022**	334	2,610	801	1,277
Senior secured Amortization Loan	**64,293**	14,919	27,891	21,484	-
Senior secured Convertible Loan	**76,337**	2,372	4,744	69,221	-
	153,966	**25,939**	**35,245**	**91,506**	**1,277**

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations or to refinance its obligations on commercially reasonable terms could have a materially adverse impact on the Company's business, financial condition or operating results.

The Deerfield Facility Agreement contains customary representations and warranties and affirmative and negative covenants, including, among other things, an annual financial covenant based on minimum levels of net sales per fiscal year and a mandatory quarterly repayment requirement under the Amortization Loan and the Bridge Loan equal to the greater of (i) 50% of excess cash flows (as defined in the Deerfield Facility Agreement) for such quarter, or (ii) US$2.5 million, commenced with the quarter ended March 31, 2019, provided that, solely with respect to the first four fiscal quarters after the closing date, the US$2.5 million quarterly minimum is not applicable as long as US$10.0 million in principal repayments have been made over such four fiscal quarters. The Company agreed to an amendment to the financing agreement dated June 25, 2019, to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company to defer a portion of the mandatory minimum quarterly principal repayments by the difference between one quarter of the US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. A generic version of Vimovo entered the U.S. market in the year ended December 31, 2020. The amount of any deferred principal repayment would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. To-date, the Company has not availed itself of the deferral mechanism.

As a result of changes in the assumptions regarding the timing of loan payments, the Amortization Loan was revalued and gains of $2.4 million were recorded for the year ended December 31, 2020. As a result of the amendment to the agreement dated June 25, 2019, as well as changes in the assumptions regarding the timing of payments, the Amortization Loan and Bridge Loan were revalued resulting in a loss on modification for the year ended December 31, 2019 of $2.2 million.

Due to the impact of the COVID-19 pandemic on the economic environment, the Company has reviewed the working capital requirements needed as a result of managing the supply chain and changes in demand. The Company anticipates that its current cash of $23.8 million as at December 31, 2020, together with the cash flows generated from operations, will be sufficient to execute its current business plan for the next 12 months and to meet its current debt obligations.

Interest Rate Risk
The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company's loans and borrowings and lease obligations are at fixed interest rates.

The fair value of the Company's prepayment option on the Amortization Loan and Bridge Loan and the Company's derivative liabilities are impacted by market rate changes.

Currency Risk
The Company operates globally, which gives rise to a risk that income and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar, euro and British Pound (GBP), but also transacts in other foreign currencies. The Company currently does not use financial instruments to hedge these risks. The significant balances in foreign currencies were as follows:

	U.S. Dollar		Euro		British Pound	
	Dec. 31, 2020 $	Dec. 31, 2019 $	**Dec. 31, 2020 €**	Dec. 31, 2019 €	**Dec. 31, 2020 £**	Dec. 31, 2019 £
Cash	**7,214**	7,565	**1,444**	630	**1,147**	619
Accounts receivable	**3,145**	8,960	**133**	319	**48**	37
Contract assets	**1,964**	-	**-**	-	**183**	234
Loans and borrowings	**(81,468)**	(94,976)	**-**	-	**-**	-
Derivative liabilities	**(4,452)**	(644)	**-**	-	**-**	-
Accounts payable and accrued liabilities	**(803)**	(405)	**(281)**	(785)	**-**	(22)
Other obligations	**(1,882)**	(1,456)	**(552)**	(1,010)	**-**	-
	(76,282)	(80,956)	**744**	(846)	**1,378**	868

Based on the aforementioned net exposure as at December 31, 2020, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $9.7 million on total comprehensive income (loss), a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $0.1 million on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the GBP would have an effect of $0.2 million on total comprehensive income (loss).

In terms of the U.S. dollar, the Company has five significant exposures: its U.S. dollar-denominated cash held in its Canadian operations, its U.S. dollar-denominated loans and borrowings and derivative liabilities held in its Canadian and European operations, its net investment and net cash flows in its European operations, the cost of purchasing raw materials either priced in U.S. dollars or sourced from U.S. suppliers and payments made to the Company under its U.S. dollar-denominated licensing arrangements.

The Company does not currently hedge its U.S. dollar cash flows. The Company funds its U.S. dollar-denominated interest expense and loan obligations using the Company's U.S. dollar-denominated cash and cash equivalents and payments received under the terms of the licensing and supply agreements. Periodically, the Company reviews its projected future U.S. dollar cash flows and if the U.S. dollars held are insufficient, the Company may convert a portion of its other currencies into U.S. dollars. If the amount of U.S. dollars held is excessive, they may be converted into Canadian dollars or other currencies, as needed for the Company's other operations.

In terms of the euro, the Company has three significant exposures: its euro-denominated cash held in its Canadian operations, sales of Pennsaid by the Canadian operations to European distributors and the cost of purchasing raw materials priced in euros.

The Company does not currently hedge its euro cash flows. Sales to European distributors for Pennsaid are primarily contracted in euros. The Company receives payments from the distributors in its euro bank accounts and uses these funds to pay euro-denominated expenditures and to fund the day-to-day expenses of the Miravo Ireland operations as required. Periodically, the Company reviews the amount of euros held, and if they are excessive compared to the Company's projected future euro cash flows, they may be converted into U.S. or Canadian dollars. If the amount of euros held is insufficient, the Company may convert a portion of other currencies into euros.

In terms of the GBP, the Company has three significant exposures: its euro-denominated cash held in its Canadian operations and euro operations, the cost of purchasing raw materials or services priced in GBP and payments made to the Company under its GBP-denominated licensing arrangements and minimum royalties received and accounted for as a contract asset in GBP.

The Company does not currently hedge its GBP cash flows. The Company receives payments from the distributors in its GBP bank accounts and uses these funds to pay GBP-denominated expenditures and to fund the day-to-day expenses of the Miravo Ireland operations as required. Periodically, the Company reviews the amount of GBP held, and if they are excessive compared to the Company's projected future GBP cash flows, they may be converted into U.S. or Canadian dollars. If the amount of GBP held is insufficient, the Company may convert a portion of other currencies into GBP.

Market Risk

The Company's derivative liabilities, the Warrants and the conversion feature that accompanies the Company's Convertible Loan, are impacted by a variety of valuation inputs (See Note 13, *Derivative Liabilities*), including changes in the Company's share price. As at December 31, 2020, a $1.00 increase in the Company's share price would increase the value of the Warrants by $15.1 million and an increase to the conversion feature of $10.7 million, with a corresponding loss of $25.8 million recognized in income for the change in fair value of derivative liabilities. As at December 31, 2020, a further $1.00 increase in the Company's share price for a total adjustment of $2.00 would further increase the value of the Warrants by $17.5 million and increase the value of the conversion feature by $12.7 million, with a corresponding additional loss of $30.2 million recognized in income for change in fair value of derivative liabilities.

The Company has not noted a significant change in the market risk due to changes to the Company's share price as a result of the impact of the COVID-19 pandemic on the economic environment.

26. REVENUE

In the following table, revenue is disaggregated by primary geographic market, major categories of revenue and timing of revenue recognition as follows:

	Year ended December 31							
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$	$	**$**	$	**$**	$	**$**	$
	United States		International		Canada		Total	
Primary categories of revenue								
Product sales	**10,125**	14,104	**2,390**	1,977	**39,685**	35,803	**52,200**	51,884
License revenue	**6,038**	5,351	**15,332**	9,989	**149**	418	**21,519**	15,758
Contract revenue	**-**	1,825	**56**	79	**-**	-	**56**	1,904
	16,163	21,280	**17,778**	12,045	**39,834**	36,221	**73,775**	69,546
Timing of revenue recognition								
Transferred over time	**-**	1,367	**-**	-	**-**	-	**-**	1,367
Transferred at a point in time	**16,163**	19,913	**17,778**	12,045	**39,834**	36,221	**73,775**	68,179
	16,163	21,280	**17,778**	12,045	**39,834**	36,221	**73,775**	69,546

Accounts Receivable and Contract Assets

	December 31, 2020	December 31, 2019
	$	$
Accounts receivable	**7,488**	14,387
Contract assets	**2,845**	402

The timing of revenue recognition, billings and cash collections result in accounts receivable and unbilled receivables (contract assets). Generally, receipt of payment occurs subsequent to billing and revenue recognition,

resulting in accounts receivable. The Company's contract assets relate to license revenue attributable to minimum guaranteed sales-based royalties, upfront fees and milestone payments, which have not been billed at the reporting date. Unbilled receivables (contract assets) will be billed (and subsequently transferred to accounts receivable) in accordance with the agreed-upon contractual terms.

Significant changes in the contract assets' current and long-term balance during the year were as follows:

	2020 **$**	2019 $
Balance, December 31	**402**	26,752
Additions to contract assets	**5,573**	-
Transfers to accounts receivable	**(2,651)**	(2,898)
Interest accretion	**407**	-
Change in estimates	**(572)**	-
Vimovo impairment	**-**	(22,398)
Foreign exchange movements	**(314)**	(1,054)
Balance, December 31	**2,845**	402

In the year ended December 31, 2020, the Company recognized additions to contract assets in the amount of $5.6 million related to the Yosprala milestones in the Japanese market (See Note 14, *Other Obligations*). The contract asset and associated revenue represents the present value of $5.6 million (US$4.0 million) in milestone payments during the term of this agreement, including $2.8 million (US$2.0 million) triggered by regulatory approval in Japan, which Miravo Ireland received in the year ended December 31, 2020 resulting in a reduction to the contract asset of $2.6 million.

The Company's contract assets are subject to estimation regarding the likelihood of the minimum guaranteed sales-based royalties. In July 2019, the Company received notice that the Court of Appeals had denied the Company's and Horizon's request to reconsider the May 2019 decision with respect to the validity of Vimovo U.S. Patent Nos. 6,926,907 and 8,557,285 in the U.S. On February 18, 2020, Dr. Reddy's second-filed ANDA for Vimovo in the U.S. received FDA approval and a generic Vimovo launched in the three months ended March 31, 2020. The Company's US$7.5 million (US$1.9 million per quarter) minimum annual royalty due for Vimovo net sales in the U.S. ceased upon the launch of a generic Vimovo in the U.S. The Company will continue to receive a 10% royalty on net sales of Vimovo by its U.S. partner, subject to a step-down provision in the event that generic competition achieves a certain market share.

In the year ended December 31, 2019, the Company had written off its contract asset attributable to its Vimovo U.S. royalty and recognized a $23.6 million non-cash impairment charge.

Significant Customers

For the year ended December 31, 2020, the Company's four largest customers generating product sales represented 88% [December 31, 2019 - 87%] of total product sales and the Company's largest customer represented 32% [December 31, 2019 - 30%] of total product sales.

27. SEGMENT REPORTING

Operating Segments

The Company has three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business.

The Commercial Business segment is comprised of products commercialized by the Company in Canada. This segment includes the Company's promoted products - Blexten, Cambia, Suvexx, NeoVisc and the Canadian business for Resultz, as well as a number of mature assets.

The Production and Service Business segment includes revenue from the sale of products manufactured by the Company from its manufacturing facility in Varennes, Québec or contracted by Miravo Ireland from its international headquarters in Dublin, Ireland, as well as service revenue for testing, development and related quality assurance and quality control services provided by the Company. Key revenue streams in this segment include Pennsaid 2%,

Pennsaid, the bulk drug product for the HLT Patch, as well as transition services provided by Miravo Ireland to two companies during the year ended December 31, 2019.

The Licensing and Royalty Business segment includes the revenue generated by the licensing of intellectual property and ongoing royalties from exclusive licensing agreements with global partners. Key revenue streams in this segment include royalties from the Company's Vimovo, Yosprala, Resultz and HLT Patch license agreements.

The Corporate and Other total includes overhead and financing costs incurred by the Company to support its public company infrastructure and the three operating segments.

	Commercial Business	Production and Service Business	Licensing and Royalty Business	Corporate and Other	Total
Year ended December 31, 2020	**$**	**$**	**$**	**$**	**$**
Total revenue	**39,449**	**12,807**	**21,519**	**-**	**73,775**
Cost of goods sold	**15,854**	**7,455**	**-**	**-**	**23,309**
Gross profit	**23,595**	**5,352**	**21,519**	**-**	**50,466**
Sales and marketing expenses	**8,928**	**-**	**-**	**-**	**8,928**
General and administrative expenses	**-**	**-**	**-**	**12,893**	**12,893**
Interest expense (income)	**-**	**-**	**(406)**	**11,847**	**11,441**
Depreciation and amortization, excluded from cost of goods sold	**-**	**-**	**-**	**8,314**	**8,314**
Other expenses	**-**	**-**	**-**	**11,867**	**11,867**
Income tax expense	**-**	**-**	**-**	**1,152**	**1,152**
Segment net income (loss)	**14,667**	**5,352**	**21,925**	**(46,073)**	**(4,129)**
Total segment assets[(i)]	**94,183**	**10,476**	**41,791**	**5,315**	**151,765**

(i) As at December 31, 2020

	Commercial Business	Production and Service Business	Licensing and Royalty Business	Corporate and Other	Total
Year ended December 31, 2019	**$**	**$**	**$**	**$**	**$**
Total revenue	35,578	18,210	15,758	-	69,546
Cost of goods sold	17,860	8,612	-	-	26,472
Gross profit	17,718	9,598	15,758	-	43,074
Sales and marketing expenses	9,796	-	-	-	9,796
General and administrative expenses				17,840	17,840
Interest expense (income)	-	-	(2,265)	12,570	10,305
Depreciation and amortization, excluded from cost of goods sold	-	-	-	8,356	8,356
Other income	-	-	-	(6,650)	(6,650)
Income tax expense	-	-	-	28	28
Segment net income (loss)	7,922	9,598	18,023	(32,144)	3,399
Total segment assets[(i)]	95,968	10,387	53,151	3,623	163,129

(i) As at December 31, 2019

28. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors. In 2020, key management included the Company's President & Chief Executive Officer, Vice President & Chief Financial Officer, Interim Chief Financial Officer, Vice President, Secretary & General Counsel, Vice President Operations & Chief Scientific Officer, Vice President, Sales & Marketing, the Executive Chairman and non-employee directors. In 2019, key management included the Company's President & Chief Executive Officer, Vice President & Chief Financial Officer, Vice President, Secretary & General Counsel, Vice President Operations & Chief Scientific Officer, Vice President, Sales & Marketing, the

Executive Chairman and non-employee directors. Compensation for the Company's key management personnel was as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Short-term wages, bonuses and benefits	**2,615**	3,541
Share-based payments	**219**	399
Total key management compensation	**2,834**	3,940
Included in:		
Sales and marketing	**415**	488
General and administrative expenses	**2,419**	3,452
Total key management compensation	**2,834**	3,940

29. CAPITAL MANAGEMENT

The Company currently defines its capital to include its cash and cash equivalents, long-term debt (including current portion), derivative liabilities and shareholders' equity excluding AOCI.

The Company's objectives when managing capital are:

(a) To allow the Company to respond to changes in economic and marketplace conditions;
(b) To give shareholders sustained growth in shareholder value by increasing equity; and
(c) To maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

In the past, the Company has financed its business primarily through its operations, the net proceeds received from the sale of common shares and warrants, issuance of secured debt and convertible debentures, finance lease obligations and investment income earned on cash balances and short-term investments. The Company continues to manage its capital structure and will maintain or adjust its capital structure to facilitate the execution of the Company's objectives or in light of changes in the economic environment.

The Company's capital is comprised of debt and shareholders' equity as follows:

	December 31, 2020	December 31, 2019
	$	$
Cash and cash equivalents and restricted cash	**23,807**	23,019
Long-term debt, including current portion	**103,697**	123,377
Derivative liabilities	**13,665**	2,229
Shareholders' equity, excluding AOCI	**20,325**	24,130
	161,494	172,755

30. GOVERNMENT GRANTS

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS) in order to help employers keep and/or return employees to work in response to challenges posed by the COVID-19 pandemic. In the third quarter of 2020, the Company determined that it met the employer eligibility criteria and applied for the CEWS. As at December 31, 2020, the Company recorded $1.2 million in government assistance resulting from the Canada Emergency Wage Subsidy. The funding has been recorded as a reduction of the related salary expenditures with $0.4 million recorded in sales and marketing expense, $0.4 million recorded in G&A expenses and $0.4 million recorded in COGS. There are no unfulfilled conditions or other contingencies attaching to the current CEWS.

31. SUBSEQUENT EVENT

In February 2021, Miravo Ireland entered into an exclusive License Agreement with The Mentholatum Company for the exclusive right to commercialize the Resultz formula and technology in the United States under the Mentholatum® brand. Miravo Ireland will earn revenue from The Mentholatum Company pursuant to the License Agreement. It is anticipated that The Mentholatum Company will launch Resultz during the summer of 2021. The License Agreement has been structured with an 18-month term, which will allow both parties to reassess market dynamics related to the COVID-19 pandemic and to determine if a longer-term agreement is warranted in a post-pandemic commercial environment. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

Corporate Information

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CORPORATE GOVERNANCE
The Company's website www.miravohealthcare.com contains the Company's corporate governance documents including Articles and By-laws, Committee Charters and Key Position Descriptions and Corporate Policies and Practices.

Board of Directors and Executive Officers

Robert Harris
Executive Chairman
Chair of the Transaction Committee

David A. Copeland, BMath, CPA, CA
Lead Director
Chair of the Audit Committee

Daniel N. Chicoine, BComm, CPA, CA
Director

Jesse F. Ledger, BBA
President & Chief Executive Officer

Katina K. Loucaides, MSc, LLB
Vice President, Secretary & General Counsel

John C. London, LLB, LLM
Vice Chairman

Anthony E. Dobranowski, BSc, MBA, CPA, CA
Director
Chair of the Compensation, Corporate Governance & Nominating Committee

Mary-Jane E. Burkett, CPA, CA, HBA
Vice President & Chief Financial Officer
(maternity leave)

Kelly A. Demerino, CPA, CA, CIA
Interim Chief Financial Officer