6. Accounts receivable

	September 30, 2017	December 31, 2016
Trade accounts receivable	**$ 7,760,356**	$ 17,023,089
Other accounts receivable	**190,910**	177,689
	$ 7,951,266	$ 17,200,778

As at September 30, 2017, there were three customers with amounts owing greater than 10% of the Company's accounts receivable which totaled 100% in aggregate (Customer A – 43 %, Customer B – 44 %, Customer C – 13%).

As at December 31, 2016, there were three customers with amounts owing greater than 10% of the Company's accounts receivable which totaled 46% in aggregate (Customer A – 22%, Customer B – 12%, Customer C – 12%).

7. Inventories

	September 30, 2017	December 31, 2016
AGGRASTAT: Finished product available-for-sale	**$ 1,857,352**	$ 3,418,652
AGGRASTAT: Unfinished product and packaging materials	**818,353**	697,767
API: Finished product available-for-sale	**-**	4,693,448
API: Work-in-progress	**-**	1,914,910
API: Raw material and packaging material	**-**	1,451,867
	$ 2,675,705	$ 12,176,644

Inventories expensed as part of cost of goods sold during the three and nine months ended September 30, 2017 amounted to $843,743 and $2,175,591, respectively (2016 - $593,703 and $1,589,501). There was no inventory written-off or recoveries relating to previously written-off inventories recorded during the three and nine months ended September 30, 2017. During the three and nine months ended September 30, 2016, the Company recorded a recovery on inventory which had been previously written-off totaling nil and $69,592, respectively.

8. Intangible assets

Cost		Patents		Trademarks		Customer List	Acquired intangible assets		Total
Balance, December 31, 2015	$	15,708,549	$	4,428,338	$	781,472	$ -	$	20,918,359
Acquisitions under business combinations (Note 4)		-		-		-	101,712,420		101,712,420
Effect of movements in exchange rates		(468,759)		(132,146)		(23,320)	-		(624,225)
Balance, December 31, 2016	$	15,239,790	$	4,296,192	$	758,152	$ 101,712,420	$	122,006,554
Effect of movements in exchange rates		(1,104,366)		(311,328)		(54,840)	(7,384,736)		(8,855,270)
Reclassified to assets held for sale (note 5)		-		-		-	(94,327,684)		(94,327,684)
Balance, September 30 2017	**$**	**14,135,424**	**$**	**3,984,864**	**$**	**703,312**	**$ -**	**$**	**18,823,600**

Accumulated amortization and impairment losses		Patents		Trademarks		Customer List		Acquired intangible assets		Total
Balance, December 31, 2015	$	14,781,836	$	4,015,852	$	708,679	$	-	$	19,506,367
Amortization		886,217		394,461		69,612		841,734		2,192,024
Effect of movements in exchange rates		(428,263)		(114,121)		(20,139)		5,869		(556,654)
Balance, December 31, 2016	$	15,239,790	$	4,296,192	$	758,152	$	847,603	$	21,141,737
Amortization		-		-		-		6,633,940		6,633,940
Effect of movements in exchange rates		(1,104,366)		(311,328)		(54,840)		(406,967)		(1,877,501)
Reclassified to assets held for sale (note 5)		-		-		-		(7,074,576)		(7,074,576)
Balance, September 30, 2017	**$**	**14,135,424**	**$**	**3,984,864**	**$**	**703,312**	**$**	**-**	**$**	**18,823,600**

Carrying amounts		Patents		Trademarks		Customer List	Acquired intangible assets	Total
At December 31, 2016	$	-	$	-	$	-	$100,864,817	$ 100,864,817
At September 30, 2017	**$**	**-**	**$**	**-**	**$**	**-**	**$ -**	**$ -**

The Company has considered indicators of impairment as at September 30, 2017 and December 31, 2016. The Company did not record a write-down of intangible assets during the three and nine months ended September 30, 2017 or 2016. As at September 30, 2017, the AGGRASTAT® intangible assets were fully amortized and the acquired intangible assets, which were reclassified to assets held for sale at September 30, 2017, had remaining useful lives of approximately 9.2 years.

For the three and nine months ended September 30, 2017, amortization of the acquired intangible assets totaling $1,581,494 and $6,633,940 was recognized within loss from discontinued operations. For the three and nine months ended September 30, 2017, there was no amortization of intangible assets relating to AGGRASTAT® or other intangible assets recorded. For the three and nine months ended September 30, 2016, amortization of intangible assets relating to AGGRASTAT® totaling $398,342 and $1,211,233, respectively was recognized in cost of goods sold and amortization of other intangible assets totaling $966 and $2,938, respectively was recognized in research and development expenses.

As described in note 9, intangible assets are pledged as security against long-term debt.

9. Long-term debt:

	September 30, 2017	December 31, 2016
Crown Capital Fund IV LP term loan	**$ 55,811,303**	$ 54,808,473
Knight Therapeutics Inc. loan	**-**	12,721,292
Dena Bank loan	**-**	918,567
Manitoba Industrial Opportunities Program loan	**1,382,809**	2,615,844
	$ 57,194,112	$ 71,064,176
Less: Current portion of long-term debt	**(1,382,809)**	(2,883,752)
	$ 55,811,303	$ 68,180,424

Principal repayments to maturity by fiscal year are as follows:

2017 remaining	$ 416,667
2018	972,222
2019	-
2020	60,000,000
	61,388,889
Less: deferred debt issue expenses (net of accumulated amortization of $1,253,185)	(4,194,777)
	$ 57,194,112

(a) Crown Capital Fund IV LP Term Loan ("Crown Loan")

On November 17, 2016, in connection with the Company's acquisition of the controlling ownership in Apicore, described in Note 4, the Company received a term loan from Crown Capital Fund IV LP ("Crown") for $60,000,000 of which $30,000,000 was syndicated to the Ontario Pension Board ("OPB") a limited partner in Crown's funds. Under the terms of the loan agreement, the Crown Loan bears interest at a fixed rate of 9.5% per annum, compounded monthly and payable on an interest only basis, maturing in 48 months, and is repayable in full upon maturity.

The Company granted 450,000 warrants to each of Crown and OPB. Each warrant entitles the holder to purchase one Medicure common share at an exercise price of $6.50 for a period of four years. The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, the Company recorded a liability of $58,200,000, net of a three percent cash fee of $1,800,000, less related debt issuance costs of $3,538,648. The liability component has been accreted using the effective interest rate method, and during the three and nine months ended September 30, 2017, the Company recorded accretion of $114,696 and $339,384, respectively, non-cash interest expense related to financing costs of $222,747 and $663,446, respectively and interest expense of $1,436,712 and $4,263,288, respectively on the Crown Loan. The fair value assigned to the warrants issued of $2,065,500 has been separated from the fair value of the liability and is included in shareholder's equity, net of its pro rata share of financing costs of $116,695.

The effective interest rate on the Crown Loan for the nine months ended September 30, 2017 was 12%.

Beginning in 2017, the Company is required to maintain certain financial covenants under the terms of the Crown Loan and is in compliance with these covenants as at September 30, 2017.

Subsequent to September 30, 2017, on November 17, 2017, the Company repaid the Crown Loan in full, including a 4% prepayment penalty totalling $2,400,000 from funds on hand from the proceeds on the sale of Apicore (note 5).

9. Long-term debt (continued):

(b) Knight Therapeutics Inc. Loan ("Knight Loan")

On January 6, 2017, the interest and principal outstanding on the Knight Loan were repaid in full from the remaining funds provided under the Crown Loan, which was recorded on the statement of financial position as at December 31, 2016 as cash held in escrow.

(c) Dena Bank Loan ("Dena Loan")

The Company, through the acquisition of a subsidiary as described in Note 4 has a debt agreement with Dena Bank. The Dena Loan bears interest at LIBOR plus 4%, with equal monthly payments of principal and interest, maturing June 30, 2020. The Dena Loan is secured by the land, building, and machinery of a subsidiary, a pledge of 778,440 equity shares of Apicore LLC. with a value each of $0.15 USD, and a guarantee by directors of Apicore LLC.

The effective rate of the Dena Loan for the nine months ended September 30, 2017 was 9%.

As at September 30, 2017, the Dena Loan is included within liabilities held for sale (note 5) on the statement of financial position.

(d) Manitoba Industrial Opportunities Loan ("MIOP Loan")

On July 18, 2011, the Company borrowed $5,000,000 from the Government of Manitoba (Manitoba Development Corporation), under the Manitoba Industrial Opportunities Program ("MIOP"), to assist in the settlement of its then existing long-term debt. The loan bears interest annually at 5.25% and originally matured on July 1, 2016. The loan was payable interest only for the first 24 months, with blended principal and interest payments made monthly thereafter until maturity. Effective August 1, 2013, the Company renegotiated the terms of the MIOP Loan and received an additional two-year deferral of principal repayments. Under the renegotiated terms, the MIOP Loan continued to be interest only until August 1, 2015, at which point blended principal and interest payments began. The MIOP Loan matures on July 1, 2018 and is secured by the Company's assets and guaranteed by the Chief Executive Officer of the Company and entities controlled by the Chief Executive Officer. The Company issued 1,333,333 common shares of the Company with a fair value of $371,834, net of share issue costs of $28,166, in consideration for the guarantee to the Company's Chief Executive Officer and entities controlled by the Chief Executive Officer. In connection with the guarantee, the Company entered into an indemnification agreement with the Chief Executive Officer under which the Company shall pay the Guarantor on demand all amounts paid by the Guarantor pursuant to the guarantee. In addition, under the indemnity agreement, the Company agreed to provide certain compensation upon a change in control of the Company. The Company relied on the financial hardship exemption from the minority approval requirement of Multilateral Instrument ("MI") 61-101. Specifically, pursuant to MI 61-101, minority approval is not required for a related party transaction in the event of financial hardship in specified circumstances.

The Company is required to maintain certain non-financial covenants under the terms of the MIOP Loan. In connection with the business combination described in note 4, the Company did not obtain required approvals from MIOP prior to completing the transaction due to the timing of the closing of the transaction. The Company subsequently received a waiver from MIOP waiving any right to call the loan resulting from the December 1, 2016 transaction however required approvals were not obtained pertaining to subsequent acquisitions of additional Apicore shares occurring in 2017. As at September 30, 2017 the loan is classified as current as the loan matures within one year.

The effective interest rate on the MIOP loan for the nine months ended September 30, 2017 was 7% (2016 – 7%).

Subsequent to September 30, 2017, on November 6, 2017, the Company repaid the MIOP loan in full from funds on hand from the proceeds on the sale of Apicore (Note 5).

10. Royalty obligation:

On July 18, 2011, the Company settled its then existing long-term debt with Birmingham Associates Ltd. ("Birmingham"), an affiliate of Elliott Associates L.P., in exchange for i) $4,750,000 in cash; ii) 2,176,003 common shares of the Company; and iii) a royalty on future AGGRASTAT® sales until May 1, 2023. The royalty is based on 4% of the first $2,000,000 of quarterly AGGRASTAT® sales, 6% on the portion of quarterly sales between $2,000,000 and $4,000,000 and 8% on the portion of quarterly sales exceeding $4,000,000 payable within 60 days of the end of the preceding three month periods ended February 28, May 31, August 31 and November 30. Birmingham has a one-time option to switch the royalty payment from AGGRASTAT® to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty to MC-1 as the product is not commercially available for sale and development of the product is on hold.

In accordance with the terms of the agreement, if the Company were to dispose of its AGGRASTAT® rights, the acquirer would be required to assume the obligations under the royalty agreement.

The initial fair value assigned to the royalty obligation, based on an expected value approach, was estimated to be $901,915. The royalty obligation is subsequently measured at amortized cost using the effective interest method, with the associated cash flows being revised each period resulting in a carrying value at September 30, 2017 of $4,811,594 (December 31, 2016 - $5,685,722) of which $1,561,740 (December 31, 2016 - $2,019,243) represents the current portion of the royalty obligation. The change in the royalty obligation for the three and nine months ended September 30, 2017 of $263,816 and $830,082, respectively (2016 - $253,550 and $772,733) is recorded within finance expense on the condensed consolidated interim statements of net (loss) income and comprehensive (loss) income. Royalties for the three and nine months ended September 30, 2017 totaled $412,637 and $1,297,855, respectively (2016 - $423,376 and $1,172,746) with payments made during the three and nine months ended September 30, 2017 of $452,513 and $1,374,534, respectively (2016 - $352,279 and $1,247,791).

11. Capital Stock:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares, an unlimited number of class A common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, and the directors may fix prior to each series issued, the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Shares	Amount
Balance, December 31, 2015	14,445,168	$ 121,413,777
Shares issued upon exercise of stock options (11c)	1,069,434	3,217,125
Shares issued upon exercise of warrants (11d)	17,806	69,443
Balance, December 31, 2016	15,532,408	$ 124,700,345
Shares issued upon exercise of stock options (11c)	66,250	506,933
Shares issued upon exercise of warrants (11d)	41,969	163,679
Balance, September 30, 2017	15,640,627	$ 125,370,957

11. Capital Stock (continued):

(c) Stock option plan

The Company has a stock option plan which is administered by the Board of Directors of the Company with stock options granted to directors, management, employees and consultants as a form of compensation. The number of common shares reserved for issuance of stock options is limited to a maximum of 2,934,403 common shares of the Company at any time. The stock options generally have a maximum term of between five and ten years.

Changes in the number of options outstanding during the nine months ended September 30, 2017 and 2016 are as follows:

		September 30, 2017		September 30, 2016
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Balance, beginning of period	**1,387,000**	**$ 2.37**	2,277,126	$ 1.90
Granted	**-**	**-**	265,025	6.16
Exercised	**(66,250)**	**(4.10)**	(1,061,934)	(1.71)
Forfeited, cancelled or expired	**(36,833)**	**(7.23)**	(63,167)	(7.77)
Balance, end of period	**1,283,917**	**$ 2.14**	1,417,050	$ 2.58
Options exercisable, end of period	**1,283,917**	**$ 2.14**	1,417,050	$ 2.58

Options outstanding at September 30, 2017 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
$0.30	270,000	5.60 years	$ 0.30	270,000
$0.31 - $1.00	35,332	1.13 years	$ 0.60	35,332
$1.01 - $3.00	728,220	4.64 years	$ 1.60	728,220
$3.01 - $5.00	69,000	3.15 years	$ 3.90	69,000
$5.01 - $10.00	170,125	3.51 years	$ 6.16	170,125
$10.01 - $14.70	11,240	0.21 years	$ 14.54	11,240
$0.30 - $14.70	1,283,917	4.48 years	$ 2.14	1,283,917

There was no compensation expense related to stock options granted during the period or from previous periods under the stock option plan for the three and nine months ended September 30, 2017. The Company recorded a recovery of compensation expense related to stock options of $43,277 for the three months ended September 30, 2016 and compensation expense of $1,340,001 for the nine months ended September 30, 2016. The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model. The expected life of stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Subsequent to September 30, 2017, 129,700 stock options were exercised, 10,000 at an exercise price of $0.60 per common share, 100,000 at an exercise price of $1.50 per common share, 15,700 at an exercise price of $1.90 per common share and 4,000 at an exercise price of $6.16 per common share.

11. Capital Stock (continued):

(c) Stock option plan (continued)

Subsequent to September 30, 2017, 750 stock options with an exercise price of $6.16 per common share were forfeited.

The compensation expense for the nine months ended September 30, 2016 was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model:

Nine months ended September 30:	2016
Expected option life	4.8 - 5.0 years
Risk free interest rate	0.52% - 0.67%
Dividend yield	nil
Expected volatility	115.59% - 126.67%

Additionally, Apicore has a stock option plan and at the December 1, 2016 acquisition date, there were 897,500 options to purchase Class E common stock of Apicore Inc. outstanding. 497,500 options became fully vested on the change in control with the employee's right to put the outstanding Apicore Class E shares and options to the Company upon the change in control. The remaining Apicore stock options outstanding of 400,000 were unaffected by the change of control and will fully vest during 2017. The value of the put option was initially recorded as a liability to repurchase Apicore Class E shares on the statement of financial position and the value of the remaining options was recorded as non-controlling interest within equity.

During the nine months ended September 30, 2017, employees and former directors of Apicore exercised 380,000 stock options to acquire 380,000 Class E common shares of Apicore for gross proceeds to the company of $421,942 (US$317,750). These shares, as well as 25,000 Class E common shares previously issued were then purchased by the Company upon the employees and former directors exercising their put right to the Company. This resulted in the Company acquiring 405,000 Class E common shares of Apicore for a total cost of $2,640,725 (US$1,974,772) and reducing the liability to repurchase Apicore Class E common shares on the statement of financial position.

On July 3, 2017, the remaining employee put options over 117,500 Class E shares, to be issued upon the exercise of stock options, of Apicore expired without being exercised by the employees. As a result, there remains 517,500 stock options in Apicore Inc. outstanding at September 30, 2017.

During the three and nine months ended September 30, 2017, the Company recorded $9,605 and $132,346, respectively of stock-based compensation expense within loss from discontinued operations on the statement of net (loss) income and comprehensive (loss) income relating to stock options in Apicore.

11. Capital Stock (continued):

(d) Warrants

On November 17, 2016 as part of Crown Loan (Note 8), the Company issued 900,000 warrants to the lenders, exercisable for a 48-month period following the issuance of the loan at a price of $6.50 per share. The fair value of the warrants issued in connection with the loan was $2,065,500 net of its pro-rata share of financing costs of $116,695 and were recorded in equity with a corresponding balance recorded as deferred financing costs which is netted against the associated long-term debt on the statements of financial position.

Changes in the number of Canadian dollar denominated warrants outstanding during the nine months ended September 30, 2017 and 2016 are as follows:

	September 30, 2017		September 30, 2016	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Balance, beginning of period	**941,969**	**$ 6.31**	59,775	$ 2.20
Exercised	**(41,969)**	**2.20**	(12,806)	(2.20)
Balance, end of period	**900,000**	**$ 6.50**	46,969	$ 2.20
Warrants exercisable, end of period	**900,000**	**$ 6.50**	46,969	$ 2.20

(e) Per share amounts

The following table reflects the calculation of basic (loss) earnings per share for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Earnings per share from continuing operations	**$ 0.07**	$ 0.13	**$ 0.13**	$ 0.22
Loss from discontinued operations	**(0.35)**	-	**(0.65)**	-
Total basic (loss) earnings per share	**$ (0.28)**	$ 0.13	**$ (0.52)**	$ 0.22

The following table reflects the calculation of diluted (loss) earnings per share for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Earnings per share from continuing operations	**$ 0.06**	$ 0.12	**$ 0.12**	$ 0.20
Loss from discontinued operations[*]	**(0.35)**	-	**(0.65)**	-
Total diluted (loss) earnings per share	**$ (0.29)**	$ 0.12	**$ (0.53)**	$ 0.20

[*] Loss from discontinued operations was not diluted as it would be anti-dilutive

11. Capital Stock (continued):

(e) Per share amounts (continued)

The following table reflects the (loss) income used in the basic (loss) earnings per share computations for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Net income before discontinued operations	**$ 1,226,431**	$ 2,003,337	**$ 2,173,445**	$ 3,227,688
Loss from discontinued operations	**(5,534,193)**	-	**(10,201,727)**	-
	$ (4,307,762)	$ 2,003,337	**$ (8,028,282)**	$ 3,227,688

The following table reflects the (loss) income and share data used in the denominator of the basic and diluted (loss) earnings per share computations for the three months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Weighted average shares outstanding for basic (loss) earnings per share	**15,633,535**	15,172,119	**15,593,251**	14,826,004
Effects of dilution from:				
Stock options	**1,272,677**	1,390,777	**1,272,677**	1,390,777
Warrants	**900,000**	46,969	**900,000**	46,969
Weighted average shares outstanding for diluted (loss) earnings per share	**17,806,212**	16,609,865	**17,765,928**	16,263,750

Effects of dilution from 11,240 stock options were excluded in the calculation of weighted average shares outstanding for diluted (loss) earnings per share before discontinued operations for the three and nine months ended September 30, 2017 as their exercise prices exceed the Company's share price on the TSX Venture Exchange at September 30, 2017. Effects of dilution from 1,283,917 stock options and 900,000 warrants were excluded in the calculation of weighted average shares outstanding for diluted (loss) earnings per share from discontinued operations for the three and nine months ended September 30, 2017 as their effect would be anti-dilutive. Effects of dilution from 26,273 options and 66,667 warrants were excluded in the calculation of weighted average shares outstanding for the three and nine months ended September 30, 2016 as their exercise prices exceed the Company's share price on the TSX Venture Exchange at September 30, 2016.

12. Commitments and contingencies

(a) Commitments

As at September 30, 2017, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed as follows:

2017	$	616,528
2018		4,212,423
2019		697,777
2020		527,797
2021		534,616
Thereafter		1,459,771
	$	8,048,912

The Company has entered into a manufacturing and supply agreement to purchase a minimum quantity of AGGRASTAT® unfinished product inventory totaling US$150,000 annually (based on current pricing) until 2024.

Effective November 1, 2014, the Company entered into a sub-lease with Genesys Venture Inc. ("GVI") to lease office space at a rate of $170,000 per annum for three years ending October 31, 2017. The lease was amended on May 1, 2016 and increased the leased area covered under the lease agreement at a rate of $212,000 per annum until October 31, 2019.

The Company, through the acquisition of a subsidiary as described in Note 4, leases office and manufacturing facilities from a related party, under a non-cancelable agreement expiring in 2024 at escalating rental rates throughout the term of the lease. The terms of the agreement specify that the Company has the option to purchase the building and land at the then fair value, as well as the option to renew the lease for an additional five-year period.

Effective January 1, 2017, the Company renewed its business and administration services agreement with GVI, under which the Company is committed to pay $7,083 per month or $85,000 per year for a one-year term.

The Company, through the acquisition of a subsidiary as described in Note 4, the Company has entered into various collaborative agreements with six parties for the development of products which continue through 2025. The agreements include terms of renewal, ranging from one to three years, subject to mutual approval. The total expected costs to be incurred under these agreements approximated US$5.6 million as at September 30, 2017.

Contracts with contract research organizations are payable over the terms of the associated agreements and clinical trials and timing of payments is largely dependent on various milestones being met, such as the number of patients recruited, number of monitoring visits conducted, the completion of certain data management activities, trial completion, and other trial related activities.

The Company has issued non-cancellable purchase orders for the purchase of inventory which total US$850,000.

Subsequent to September 30, 2017, on October 31, 2017, the Company acquired an exclusive license to sell and market Prexxartan® (valsartan) oral solution in the United States and its territories with a seven-year term, with extensions to the term available, which has been granted tentative approval by the U.S. Food and Drug Administration ("FDA"), and is eligible for conversion to final approval by the end of 2017. The Company acquired the exclusive license rights for an upfront payment of US$100,000, with an additional US$400,000 payable on final FDA approval and will pay royalties and milestone payments from the net revenues of Prexxartan®.

12. Commitments and contingencies (continued)

(b) Guarantees

The Company periodically enters into research agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

(c) Royalties

As a part of the Birmingham debt settlement described in note 10, beginning on July 18, 2011, the Company is obligated to pay a royalty to Birmingham based on future commercial AGGRASTAT® sales until 2023. The royalty is based on 4% of the first $2,000,000 of quarterly AGGRASTAT® sales, 6% on the portion of quarterly sales between $2,000,000 and $4,000,000 and 8% on the portion of quarterly sales exceeding $4,000,000 payable within 60 days of the end of the preceding three month periods ended February 28, May 31, August 31 and November 30. Birmingham has a one-time option to switch the royalty payment from AGGRASTAT® to a royalty on MC-1 sales. Management has determined there is no value to the option to switch the royalty to MC-1 as the product is not commercially available for sale and development of the product is on hold. Royalties for the three and nine months ended September 30, 2017 totaled $412,637 and $1,297,855, respectively (2016 - $423,376 and $1,172,746) with payments made during the three and nine months ended September 30, 2017 of $452,513 and $1,374,534, respectively (2016 - $352,279 and $1,247,791).

The Company is obligated to pay royalties to third parties based on any future commercial sales of MC-1, aggregating up to 3.9% on net sales. To date, no royalties are due and/or payable.

12. Commitments and contingencies (continued)

(d) Contingencies

In the normal course of business, the Company may from time to time be subject to various claims or possible claims. Although management currently believes there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are inherently uncertain and management's view of these matters may change in the future.

On September 10, 2015, the Company submitted a supplemental New Drug Application to the United States Food and Drug Administration ("FDA") to expand the label for AGGRASTAT®. The label change is being reviewed and evaluated based substantially on data from published studies. If the label change submission is successful, the Company will be obligated to pay 300,000 Euros over the course of a three-year period in equal quarterly instalments following approval. On July 7, 2016, the Company announced it received a Complete Response Letter stating the sNDA cannot be approved in its present form and requested additional information. The payments are contingent upon the success of the filing and as such the Company has not recorded any amount in the statements of net (loss) income and comprehensive (loss) income pertaining to this contingent liability.

The Company, through the acquisition of a subsidiary as described in note 4, is subject to a stringent regulatory environment. Any product designed and labeled for use in humans requires regulatory approval by government agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous preclinical and clinical trials to demonstrate safety and efficacy and other approval procedures of the FDA. Various federal, state, local, and foreign statutes and regulations also govern testing, manufacturing, labeling, distribution, storage, and record-keeping related to such products and their promotion and marketing. In addition, the current regulatory environment at the FDA could lead to increased testing and data requirements which could impact regulatory timelines and costs to the Company and its suppliers.

The Company, through the acquisition of a subsidiary as described in note 4, was involved in legal matters. In 2016, the subsidiary and another pharmaceutical company filed a complaint in the United States District Court for the Eastern District of Texas against a third party asserting that the patents of three of the Company's products were infringed and, in a later filing, sought monetary damages and injunctive relief. The Defendant filed a petition with the United States Patent and Trademark Office ("U.S.P.T.O.") for that office to conduct an inter-parties reexamination ("IPR") against one of the Company's patents. During the three months ended September 30, 2017, following a settlement agreement among the parties, the litigation in the Eastern District of Texas and District of New Jersey was dismissed. The IPR was terminated pursuant to the joint motion of the parties asking the Patent Trial and Appeal Board to do so. There was no financial impact of the settlement on the Company.

13. Related party transactions:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, President and Chief Executive Officer, Chief Financial Officer, Vice-President, Commercial Operations, and beginning in December 2016, the Chief Executive Officer of Apicore, are key management personnel. On May 9, 2016, the Company announced that the employment agreement with the Company's then President and Chief Operating Officer had been terminated, effective immediately. For the three and nine months ended September 30, 2016, the now former President and Chief Operating Officer was included in key management personnel. The compensation pertaining to the Chief Executive Officer of Apicore has been included in the loss from discontinued operation on the statement of net (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2017.

13. Related party transactions (continued):

(a) Key management personnel compensation (continued)

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan. The following table details the compensation paid to key management personnel:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Salaries, fees and short-term benefits	**$ 284,818**	$ 128,974	**$ 970,573**	$ 537,362
Stock based compensation	**9,605**	-	**132,346**	163,957
	$ 294,423	$ 128,974	**$ 1,102,919**	$ 701,319

As at September 30, 2017, there was $27,175 recorded within accounts payable and accrued liabilities relating to amounts payable to the members of the Company's Board of Directors for services provided (December 31, 2016 - $13,279).

(b) Transactions with related parties

Directors and key management personnel control 16% of the voting shares of the Company as at September 30, 2017 (December 31, 2016 – 17%).

During the three and nine months ended September 30, 2017 the Company paid GVI, a company controlled by the Chief Executive Officer, a total of $21,250 and $63,750, respectively (2016 - $21,250 and $63,750) for business administration services, $53,000 and $159,000, respectively (2016 - $72,000 and $169,500) in rental costs and $10,950 and $32,850, respectively (2016 - $10,675 and $31,100) for commercial and information technology support services. As described in note 12(a), the business administration services summarized above are provided to the Company through a consulting agreement with GVI.

Clinical research services are provided through a consulting agreement with GVI Clinical Development Solutions Inc. ("GVI CDS"), a company controlled by the Chief Executive Officer. Pharmacovigilance and safety, regulatory support, quality control and clinical support are provided to the Company through the GVI CDS agreement. During the three and nine months ended September 30, 2017, the Company paid GVI CDS $188,468 and $561,743, respectively (2016 - $45,595 and $299,787) for clinical research services.

Research and development services are provided through a consulting agreement with CanAm Bioresearch Inc. ("CanAm"), a company controlled by a close family member of the President and Chief Executive Officer. During the three and nine months ended September 30, 2017, the Company paid CanAm $103,842 and $353,043, respectively (2016 - $124,835 and $442,077) for research and development services.

Beginning with the acquisition on December 1, 2016 (note 4), the Company incurred rental charges pertaining to leased manufacturing facilities and office space from Dap Dhaduk II LLC ("Dap Dhaduk"), an entity controlled by a minority shareholder and member of the board of directors of Apicore Inc. For the three and nine months ended September 30, 2017, the Company paid Dap Dhaduk $83,593 and $261,636, respectively for rental expenses which are recorded within loss from discontinued operations on the statement of net (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2017.

Beginning with the acquisition on December 1, 2016 (note 4), the Company purchased inventory from Aktinos Pharmaceuticals Private Limited and Aktinos HealthCare Private Limited (together "Aktinos"), an entity significantly influenced by a close family member of the Chief Executive Officer of Apicore Inc. For the three and nine months ended September 30, 2017, the Company paid Aktinos $501,814 and $1,599,056, respectively for purchases of inventory which are recorded in assets held for sale on the statement of financial position.

13. Related party transactions (continued):

(b) Transactions with related parties (continued)

Beginning with the acquisition on December 1, 2016 (note 4), the Company incurred research and development charges from Omgene Life Sciences Pvt. Ltd. (“Omgene”), an entity significantly influenced by a close family member of the Chief Executive Officer of Apicore Inc. For the three and nine months ended September 30, 2017, the Company paid Omgene nil and $26,466, respectively for research and development services which are recorded within loss from discontinued operations on the statement of net (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2017.

Beginning with the acquisition on December 1, 2016 (note 4), the Company incurred pharmacovigilance charges from 4C Pharma Solutions LLC. (“4C Pharma”), an entity significantly influenced by a close family member of the Chief Executive Officer of Apicore Inc. For the three and nine months ended September 30, 2017, the Company paid 4C Pharma $17,727 and $87,415, respectively for services provided which are recorded within loss from discontinued operations on the statement of net (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2017.

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

As at September 30, 2017, included in accounts payable and accrued liabilities is $74,715 (December 31, 2016 - $100,493) payable to GVI, $298,434 (December 31, 2016 - $336,008) payable to GVI CDS, and $112,889 (December 31, 2016 - $80,582) payable to CanAm. Included in liabilities held for sale at September 30, 2017 and accounts payable and liabilities at December 31, 2016 are $508,497 (December 31, 2016 - $467,250) payable to Aktinos and $5,355 (December 31, 2016 – nil) payable to 4C Pharma. These amounts are unsecured and payable on demand.

Effective July 18, 2016, the Company renewed its consulting agreement with its Chief Executive Officer, through A.D. Friesen Enterprises Ltd., a company owned by the Chief Executive Officer. for a term of five years, at a rate of $300,000 annually, increasing to $315,000 annually, effective January 1, 2017. The Company may terminate this agreement at any time upon 120 days written notice. As at September 30, 2017, there were no amounts included in accounts payable and accrued liabilities (December 31, 2016 – $54,380) payable to A. D. Friesen Enterprises Ltd. as a result of this consulting agreement. Any amounts payable to A. D. Friesen Enterprises Ltd. are unsecured, payable on demand and non-interest bearing.

Effective January 1, 2017, the Company renewed its consulting agreement with its Chief Financial Officer, through JFK Enterprises Ltd., a company owned by the Chief Financial Officer, for a one-year term, at a rate of $155,000 annually. The agreement may be terminated by either party, at any time, upon 30 days written notice. As at September 30, 2017, there were no amounts included in accounts payable and accrued liabilities (December 31, 2016 – $22,313) payable to JFK Enterprises Ltd. as a result of this consulting agreement. Any amounts payable to JFK Enterprises Ltd. are unsecured, payable on demand and non-interest bearing.

14. Segmented information:

The operations of the Company are classified into two industry segments: the marketing and distribution of commercial products (AGGRASTAT®) and the manufacturing and distribution of API, which is classified as held for sale and discontinued operations (note 5). No operating segments have been aggregated to form these reportable operating segments. Subsequent to September 30, 2017, on October 2, 2017, the manufacturing and distribution of API segment, consisting of the Apicore business was sold.

Revenue generated from external customers from the marketing and distribution of commercial products (AGGRASTAT®) for the three and nine months ended September 30, 2017 and 2016 was 100% from sales to customers in the United States.

During the nine months ended September 30, 2017, 94% of total revenue was generated from 3 customers. Customer A accounted for 29%, Customer B accounted for 33% and Customer C accounted for 32%.

During the nine months ended September 30, 2016, 99% of total revenue was generated from four customers. Customer A accounted for 19%, Customer B accounted for 30%, Customer C accounted for 39% and Customer D accounted for 11%.

Property, plant and equipment, intangible assets and other assets are located in the following countries:

	September 30, 2017	December 31, 2016
Canada	**$ 223,745**	$ 263,984
India	**-**	7,896,331
United States	**3,889**	103,167,032
	$ 227,634	$ 111,327,347