

Financial Statements of

NATCO PHARMA (CANADA) INC.

And Independent Auditor's Report thereon

Year ended March 31, 2026



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Natco Pharma (Canada) Inc.

Opinion

We have audited the financial statements of Natco Pharma (Canada) Inc. (the Entity), which comprise:

- the balance sheet as at March 31, 2026
- the statements of earnings for the year then ended
- the statements of retained earnings for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 20, 2026

NATCO PHARMA (CANADA) INC.

Balance Sheet

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 15,032,335	\$ 4,079,521
Short-term Investments (note 2)	21,348,793	38,423,753
Accounts receivable (note 4)	11,180,373	6,121,324
Inventory (note 5)	9,890,923	7,789,857
Prepaid expenses	254,984	434,799
Goods and services taxes receivable	199,178	784,499
Income taxes recoverable	7,972	-
	57,914,558	57,633,753
Long-term investments (note 2)	29,575,915	17,702,459
Equipment (note 7)	56,196	63,634
	\$ 87,546,669	\$ 75,399,846
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,313,030	\$ 5,518,049
Derivate financial instrument	575,855	-
Income taxes payable	-	83,628
Due to shareholder (note 6 and 11)	1,758,927	370,599
	7,647,812	5,972,276
Share capital (note 8)	2,810,881	2,810,881
Retained earnings	77,087,976	66,616,689
	79,898,857	69,427,570
Commitments (note 12)		
Contingent liabilities (note 13)		
	\$ 87,546,669	\$ 75,399,846

See accompanying notes to financial statements.

On behalf of the Board:

Director

NATCO PHARMA (CANADA) INC.

Statement of Earnings

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Revenue:		
Gross sales	\$ 73,713,011	\$ 79,193,952
Sales returns and other allowances (note 9)	(1,376,886)	(2,094,663)
Marketing support programs	(37,114,072)	(40,680,792)
Interest and dividend income	1,855,538	2,269,932
	37,077,591	38,688,429
Cost of goods sold:		
Cost of inventories sold	9,464,046	10,433,843
Write-down of inventory	1,562,571	2,045,601
	11,026,617	12,479,444
Income before operating expenses	26,050,974	26,208,985
Operating expenses:		
Salaries and benefits	3,897,481	3,492,069
Marketing expenses	2,881,543	2,380,809
Regulatory expenses	2,108,231	1,250,242
Wholesaler upcharge	1,425,843	676,658
Bank and credit card processing charges	498,093	568,130
Professional fees	476,660	473,563
Travel and entertainment	421,454	455,967
Rent	375,778	382,368
Freight charges	363,137	404,825
Remuneration to salesmen	249,250	250,709
Office and general	358,804	413,723
Bad debts	78,182	525
	13,134,456	10,749,588
Income before other expenses	12,916,518	15,459,397
Other expenses (income):		
Product development and legal charges	635,991	1,361,453
Gain on investments (note 2)	(2,857,231)	(36,796)
Loss on derivate financial instruments and foreign exchange	1,397,831	-
Amortization	26,436	30,863
	(796,973)	1,355,520
Income before income taxes	13,713,491	14,103,877
Income taxes (note 10)	3,242,204	3,766,410
Net earnings	\$ 10,471,287	\$ 10,337,467

See accompanying notes to financial statements.

NATCO PHARMA (CANADA) INC.

Statement of Retained Earnings

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Retained earnings, beginning of year	\$ 66,616,689	\$ 56,279,222
Net earnings	10,471,287	10,337,467
Retained earnings, end of year	\$ 77,087,976	\$ 66,616,689

See accompanying notes to financial statements.

NATCO PHARMA (CANADA) INC.

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 10,471,287	\$ 10,337,467
Items not involving cash:		
Amortization	26,436	30,863
Gain on investments (note 2)	(2,857,231)	(36,796)
Loss on derivative financial instruments and foreign exchange	1,397,831	-
Changes in non-cash operating working capital:		
Accounts receivable	(5,059,049)	1,755,773
Inventory	(2,101,066)	4,283,388
Prepaid expenses	179,815	(203,666)
Customer Deposits	-	(281,879)
Goods and services taxes receivable	585,321	(294,409)
Accounts payable and accrued liabilities	(205,019)	(1,872,360)
Derivate financial instruments	575,855	-
Income taxes payable	(91,600)	264,948
	2,922,580	13,983,329
Financing activities:		
Due from (to) shareholder	1,388,327	(5,518,516)
Investing activities:		
Sale (purchase) of investments, net	6,660,904	(9,181,618)
Purchase of equipment	(18,997)	(11,494)
Net payment on settlement of derivative financial instruments	-	(2,342)
	6,641,907	(9,195,454)
Increase (decrease) in cash	10,952,814	(730,641)
Cash and cash equivalents, beginning of year	4,079,521	4,810,162
Cash and cash equivalents, end of year	\$ 15,032,335	\$ 4,079,521

See accompanying notes to financial statements.

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements

Year ended March 31, 2026

Nature of operations:

Natco Pharma (Canada) Inc. (the "Company") is incorporated on November 7, 2012 under the Canada Business Corporation Act. The Company is in the business of importing and selling health care pharmaceutical products in Canada.

1. Significant accounting policies:

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

(a) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term deposits held in bank and brokerage accounts with original maturity under 90 days.

(b) Inventory:

Inventory consists of pharmaceuticals held for resale and are stated at the lower of cost, determined on a weighted average basis and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs required to bring the inventory to market. Included in the cost of inventories are costs of purchase net of vendor allowances, plus other costs, such as freight, commissions and duty, that are directly incurred to bring inventories to their present location and condition. The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

(c) Equipment:

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

Asset	Basis	Rate
Equipment, furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	55%
Vehicles	Declining balance	30%

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(d) Impairment of long-lived assets:

Equipment is tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flow resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived assets exceeds its fair value.

(e) Revenue recognition:

The Company recognizes revenue when products are delivered, the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Revenue is net of items such as returns, allowances and claims for damaged goods, prompt payment incentives, marketing support programs and professional allowances. The Company's offering of products includes pharmaceuticals that are subject to price control established by local government authorities.

Income from compensation, claims and government assistance is recognized when collection of the amount receivable is assured.

(f) Income taxes:

The Company follows the income taxes payable method of accounting for income taxes. Under this method, only current income tax assets and liabilities are recognized which are determined in accordance with the rules established by taxation authorities.

(g) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenue and expenses are translated at exchange rates prevailing at the respective transaction dates, with the exception of amortization, which are translated at historic rates. Exchange gains and losses are included in net income.

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments that will not be measured subsequently at fair value are adjusted by transaction costs and financing fees that are directly attributable to the origination and acquisition of these instruments. These costs are amortized using the straight-line method.

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

(i) Use of estimates:

The presentation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the estimated useful lives of equipment, the valuation of allowance for accounts receivable, returns and market support programs, valuation of inventories, impairment of financial assets, accruals for accounts payable and provision for other liabilities. Actual results could differ from those estimates.

(j) Investments:

Short term Investments consist of guaranteed investment certificates, investment in unquoted shares and fixed income securities with maturity dates less than one year.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost and assessed regularly for permanent impairment.

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

2. Investments:

	2026	2025
Guaranteed investment certificates	\$ 16,000,000	\$ 37,000,000
Investment in unquoted shares	19,055,229	12,231,985
Investment in quoted shares	-	4,258,191
Fixed income securities	15,286,056	1,771,386
Accrued interest and dividend	583,423	864,650
	<u>50,924,708</u>	<u>56,126,212</u>
Less short-term investments	21,348,793	38,423,753
Long-term investments	\$ 29,575,915	\$ 17,702,459

The Company has three (2025 - fourteen) guaranteed investment certificates bearing interest ranging from variable to 3.00% (2025 – variable to 5.20%) with maturity dates from May to August 2026 (2025 – April to December 2025).

The fixed income securities bear interest of 1.35% - 3.50% (2025 – 1.95%) per annum, paid on maturity and maturity date is open (2025 – open).

The Company recorded a gain of \$2,857,231 (2025 – \$36,796) on investments which is recorded as other income.

3. Cash and cash equivalents:

	2026	2025
Cash held in bank accounts	\$ 7,126,312	\$ 3,810,827
Cash held with brokerage	7,906,023	268,694
	<u>\$ 15,032,335</u>	<u>\$ 4,079,521</u>

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

4. Accounts receivable:

	2026	2025
Trade receivables	\$ 15,714,588	\$ 13,015,859
Less allowance for market support programs	(4,534,215)	(6,894,535)
	\$ 11,180,373	\$ 6,121,324

5. Inventory:

	2026	2025
Finished goods	\$ 8,896,058	\$ 7,768,649
In-transit inventory	1,045,191	654,722
Less provision for obsolescence	(50,326)	(633,514)
	\$ 9,890,923	\$ 7,789,857

In the current year, the cost of inventories that is included in cost of goods sold that was recognized as expense amounted to \$9,464,046 (year ended March 31, 2025 - \$10,433,843).

6. Due to shareholder:

Amounts due to/from shareholders are unsecured and non-interest bearing. The repayment period is within the next year and the amounts due are in the normal course of business.

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

7. Equipment:

			2026	2025
	Cost	Accumulated amortization	Net book value	Net book value
Equipment, furniture and fixtures	\$ 97,183	\$ 63,889	\$ 33,294	\$ 30,684
Computer equipment	233,053	220,977	12,076	17,485
Vehicles	52,776	41,950	10,826	15,465
	\$ 383,012	\$ 326,816	\$ 56,196	\$ 63,634

8. Share capital:

	2026	2025
Authorized:		
Unlimited Class A shares, voting		
Unlimited Class B shares, non-voting, with dividend and distribution priority over Class A shares		
Issued:		
2,810,881 Class A shares	\$ 2,810,881	\$ 2,810,881

9. Sales returns and other allowances:

Sales returns and other allowances are comprised of prompt payment incentives, sales returns, price protection and inventory nearing expiry allowances.

	2026	2025
Prompt payment incentive	\$ 1,047,322	\$ 1,076,658
Sales returns	329,564	1,018,005
	\$ 1,376,886	\$ 2,094,663

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

10. Income taxes:

The Company reported income tax expense is calculated in accordance with applicable income tax rules. The income tax expense therefore differs from the application of statutory rates to reported income as a result of the following tax reconciliation items:

	2026	2025
Income before income taxes	\$ 13,713,491	\$ 14,103,877
Combine statutory income tax rate	26.50%	26.50%
Income tax expense at combined federal and provincial tax rate	3,634,075	3,737,527
Impact of timing difference in amortization	(15,058)	4,686
Non-deductible expenses	9,928	14,446
Unrealized foreign exchange on account of capital	(386,741)	9,751
Effective tax expense	\$ 3,242,204	\$ 3,766,410

11. Related party transactions:

During the year, the Company purchased \$9,114,015 (2025 - \$9,302,713) of finished goods from its shareholder including goods in transit \$1,045,191 (2025 - Nil). The inventory on March 31, 2026 includes \$7,727,860 (2025 - \$6,683,578) purchased from its shareholder. These purchases were made in a normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party. As of March 31, 2026 there was an amount payable to the shareholder of \$1,758,927 (2025 - \$370,599).

12. Commitments:

The Company's total obligations, under operating leases for occupied premises and vehicles, exclusive of realty taxes and other occupancy charges in future years are as follows:

2027	\$ 108,030
2028	101,229
2029	94,245
2030	47,895
	\$ 351,399

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

13. Contingent liabilities:

The Company is defending two intellectual property proceedings initiated against it in connection with its submission for approval to market products. The Company has filed counterclaims that the proceedings initiated against it are void and of no force and effect. There is no exposure to damages as the Company has not yet sold the products. The exposure is limited to costs that may be awarded to the prevailing party which is difficult to quantify.

14. Credit facility:

The Company has an operating line of credit in the amount of \$2,000,000 (2025 - \$2,000,000) bearing interest at the bank prime rate plus 1.5%. It is secured by a general security agreement. There were no amounts outstanding at end of the year (March 31, 2025 - nil).

15. Economic dependence:

The Company primarily purchases its product from its shareholder in India. The Company is exposed to risk associated with the non-performance of the shareholder which can be directly impacted by a decline in economic conditions, which would impair the shareholder's ability to satisfy their obligations to the Company or the supply of inventory.

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

16. Financial risks and concentration of risk:

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date.

a. Significant customers and credit risk:

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its cash, accounts receivable, and investments. In order to reduce its credit risk from receivables, the Company reviews its existing receivables' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company manages the credit risk from its cash balances by maintaining its accounts with creditworthy and highly reputable financial institutions. The Company does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant losses for non- performance.

The Company has three customers (2025 – three) which account for 41% (2025 – 40%) of gross sales and has 44% of trade receivables at March 31, 2026 (2025 – 44%).

b. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and to meeting commitments. The Company expects to meet these obligations as they come due by generating sufficient cash flow from operations and borrowings from its shareholder. In addition, the Company manages liquidity risk by maintaining sufficient cash on hand to settle obligations. There has been no change in the risk assessment from the prior year.

NATCO PHARMA (CANADA) INC.

Notes to Financial Statements (continued)

Year ended March 31, 2026

Financial risks and concentration of risk (continued):

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. Approximately all the Company's purchases are from a foreign company. These purchases are payable in Canadian dollars. At year end, the Company had no amounts payable in foreign currencies.

The Company has US Dollar 16,522,497 (2025 – US Dollar 932,402) and South African Rand 89,009,868 (2025 – 58,276,796) total cash and investments denominated in foreign currencies.

The Company manages its exposure to fluctuations in foreign exchange rates through the use of foreign exchange forward contracts. At March 31, 2026, the contractual liability of the derivative financial instruments is \$575,855 (2025 - nil).

(d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have significant exposure to interest rate risk on its liabilities as the balances are non-interest bearing. The Company's investments earn interest at fixed rates.

17. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year end. The changes do not affect prior year income.