



Crescita Therapeutics Inc.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020
(unaudited)

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent external auditors, Ernst & Young LLP, have not performed a review or an audit of these condensed consolidated interim financial statements in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

The condensed consolidated interim financial statements include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards. Management has determined such amounts on a reasonable basis in order to ensure that the condensed consolidated interim financial statements are presented fairly in all material respects.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

<i>(In thousands of Canadian dollars)</i>	<i>Notes</i>	As at September 30, 2021 \$	As at December 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		12,236	14,281
Accounts receivable	18	1,039	1,072
Inventories	6	4,816	3,457
Other current assets	7, 18	925	644
Total current assets		19,016	19,454
Non-current			
Contract assets	8, 18	1,741	1,977
Property, plant and equipment		573	558
Right-of-use asset	9	1,905	228
Intangible assets		3,958	4,614
Investment in associate	10	330	-
Convertible note	10	500	-
Total assets		28,023	26,831
Liabilities			
Current			
Accounts payable and accrued liabilities	18	5,343	4,271
Convertible debentures		965	-
Current portion of lease obligation	12	363	297
Current portion of other obligations		50	50
Total current liabilities		6,721	4,618
Non-current			
Convertible debentures		-	933
Lease obligation	12	1,618	-
Other obligations		178	147
Total liabilities		8,517	5,698
Equity			
Capital Stock	13	58,324	58,184
Contributed surplus		2,549	2,273
Accumulated other comprehensive income (AOCI)		1,051	1,046
Deficit		(42,418)	(40,370)
Total equity		19,506	21,133
Total liabilities and equity		28,023	26,831

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
<i>(In thousands of Canadian dollars, except per share data and number of shares)</i>					
Revenues	14	2,993	7,301	9,207	12,849
Operating expenses					
Cost of goods sold	6, 16	1,468	1,172	3,844	3,164
Research and development	16	126	212	463	776
Selling, general and administrative	15, 16	1,909	1,632	5,702	5,383
Depreciation and amortization	9, 16	350	415	1,032	1,243
Operating profit (loss)		(860)	3,870	(1,834)	2,283
Interest expense		63	52	174	199
Interest income		(36)	(57)	(134)	(209)
Impairment of intangible assets		-	-	-	1,918
Other income		-	(668)	-	(668)
Foreign exchange (gain) loss		13	(64)	174	(165)
Total other (income) expenses		40	(737)	214	1,075
Income (loss) before income taxes		(900)	4,607	(2,048)	1,208
Deferred income tax expense		-	399	-	579
Net income (loss)		(900)	4,208	(2,048)	629
Other comprehensive income (loss) to be reclassified to net income (loss) in subsequent periods					
Unrealized gain (loss) on translation of foreign operations (net of income taxes)		(1)	2	5	(4)
Total comprehensive income (loss)		(901)	4,210	(2,043)	625
Earnings per share					
- Basic		\$ (0.04)	\$ 0.20	\$ (0.10)	\$ 0.03
- Diluted		\$ (0.04)	\$ 0.19	\$ (0.10)	\$ 0.03
Weighted average number of common shares outstanding					
- Basic		20,761,085	20,648,448	20,667,337	20,665,803
- Diluted		20,761,085	21,796,236	20,667,337	21,995,583

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Common Shares		Contributed Surplus	Deficit	AOCI	Total
<i>(In thousands of Canadian dollars, except for number of shares)</i>						
		\$	\$	\$	\$	\$
Notes	<i>1, 10, 13, 15</i>	<i>1, 10, 13, 15</i>	<i>13, 15</i>			
Balance, December 31, 2019	20,742,183	58,422	1,948	(40,407)	1,145	21,108
Net income	-	-	-	629	-	629
Class A shares cancelled	(9,547)	-	-	-	-	-
Class A shares repurchased and cancelled	(84,188)	(238)	170	-	-	(68)
Share-based compensation expense	-	-	121	-	-	121
Unrealized loss on translation of foreign operations (tax effect of \$nil)	-	-	-	-	(4)	(4)
Balance, September 30, 2020	20,648,448	58,184	2,239	(39,778)	1,141	21,786
Net loss	-	-	-	(592)	-	(592)
Share-based compensation expense	-	-	34	-	-	34
Unrealized loss on translation of foreign operations (net of income tax expense of \$96)	-	-	-	-	(95)	(95)
Balance, December 31, 2020	20,648,448	58,184	2,273	(40,370)	1,046	21,133
Net loss	-	-	-	(2,048)	-	(2,048)
Class A shares issued	470,128	330	-	-	-	330
Class A shares repurchased and cancelled	(56,760)	(160)	121	-	-	(39)
Class A shares repurchased but not cancelled	-	(30)	23	-	-	(7)
Share-based compensation expense	-	-	132	-	-	132
Unrealized gain on translation of foreign operations (tax effect of \$nil)	-	-	-	-	5	5
Balance, September 30, 2021	21,061,816	58,324	2,549	(42,418)	1,051	19,506

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<i>(In thousands of Canadian dollars)</i>	<i>Notes</i>	\$	\$	\$	\$
Operating Activities					
Net income (loss)		(900)	4,208	(2,048)	629
Adjustments for:					
Depreciation and amortization	9, 16	350	415	1,032	1,243
Share-based compensation	15	39	31	149	121
Inventory write-down	6	160	125	280	200
Impairment of intangible assets		-	-	-	1,918
Deferred income taxes		-	399	-	579
Contract assets		-	-	-	(413)
Interest accretion, net		(12)	(77)	(80)	(78)
Other		(51)	(95)	86	(35)
		(414)	5,006	(581)	4,164
Net change in non-cash working capital	17	225	(313)	(547)	879
Cash provided by (used in) operating activities		(189)	4,693	(1,128)	5,043
Investing Activities					
Acquisition of property, plant and equipment		(81)	(1)	(124)	(62)
Purchase of convertible note	10	(500)	-	(500)	-
Cash used in investing activities		(581)	(1)	(624)	(62)
Financing Activities					
Payment of lease obligation	12	(82)	(90)	(260)	(264)
Repurchase of Class A shares	13	(22)	-	(46)	(68)
Payment of other obligations		-	-	-	(50)
Cash used in financing activities		(104)	(90)	(306)	(382)
Effect of exchange rate changes on cash		27	(11)	13	(11)
Net change in cash and cash equivalents during the period		(847)	4,591	(2,045)	4,588
Cash and cash equivalents, beginning of period		13,083	9,265	14,281	9,268
Cash and cash equivalents, end of period		12,236	13,856	12,236	13,856
Supplemental Cash Flow Information					
Interest paid ⁽ⁱ⁾		45	36	97	113
Interest received ⁽ⁱ⁾		7	79	22	105

⁽ⁱ⁾ Amounts paid and received were reflected as operating cash flows in the Consolidated Interim Statements of Cash Flows.

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts presented are in thousands of Canadian dollars, unless noted otherwise.

1. CORPORATE INFORMATION

Crescita Therapeutics Inc. (“Crescita” or the “Company”) is a publicly traded Canadian commercial dermatology company with in-house research & development (“R&D”) and manufacturing capabilities. The Company offers a portfolio of high-quality, science-based non-prescription skincare products and early to commercial stage prescription products. Crescita owns multiple proprietary transdermal delivery platforms that support the development of patented formulations, facilitating the delivery of active ingredients into or through the skin. The Company’s corporate functions are carried out from its headquarters located at 2805, Place Louis-R-Renaud, Laval, Québec, H7V 0A3. Crescita maintains its registered office at 6733 Mississauga Road, Suite 800, Mississauga, Ontario, L5N 6J5.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared by management in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and accordingly, do not include all disclosures required for annual financial statements. These Interim Financial Statements should be read in conjunction with the Company’s most recent annual consolidated audited financial statements for the year ended December 31, 2020, which are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

The Company’s Interim Financial Statements for the three and nine months ended September 30, 2021 and 2020 were authorized for issue on November 10, 2021, the date the board of directors approved these Interim Financial Statements.

Basis of Measurement

These Interim Financial Statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which have been measured at fair value. Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Interim Financial Statements are presented in Canadian dollars, the Company’s functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these Interim Financial Statements are based on International Financial Reporting Standards (“IFRS”). All significant accounting policies have been applied on a basis consistent with those followed in the most recent annual consolidated audited financial statements for the year ended December 31, 2020.

Use of Estimates and Judgments

The preparation of the Interim Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity, the accompanying disclosure of contingent assets and liabilities at the date of these Interim Financial Statements, as well as the reported amounts of revenue and expenses during the reporting periods.

Management has identified key areas of judgements, estimations or use of managerial assumptions that it believes are most critical to understanding these Interim Financial Statements. These accounting estimates are considered critical because they require management to make subjective and/or complex judgements that are inherently uncertain and because they could have a material impact on the presentation of the Company’s financial condition and/or results of operations. The Company’s actual results could differ from these estimates and such differences could also be material. These key areas are disclosed in Note 5 – *Use of Estimates and Judgments* to the Company’s most recent annual consolidated audited financial statements for the year ended December 31, 2020.

4. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic (the “Pandemic”). There have been no comparable events that provide guidance as to the effect that the spread of COVID-19 may have and its ultimate impact on the Company’s business, results of operations and financial condition. The extent of the impact continues to depend on future developments which are highly uncertain, subject to change and difficult to predict with meaningful precision.

The Company sells its dermocosmetic products mainly through a direct sales force that meets face-to-face with spa and medspa owners and physicians. Such establishments are considered non-essential and therefore have been subject to prolonged closures in 2020 as well as in the nine months ended September 30, 2021. With most services offered in aesthetic spas and medspas being discretionary, the performance of the Company’s business is closely tied to fluctuations in consumer disposable income and changing consumer behaviors and has been impacted by the Pandemic. The timing of a recovery of consumer behavior and willingness to spend discretionary income on aesthetic products and treatments may adversely affect the Company’s ability to generate revenue comparable to historical levels.

While the Company has used all currently available information in assessing its business prospects, it remains unclear what the duration and long-term effects of the Pandemic will be. Management continues to closely monitor its evolution.

5. SEGMENTED INFORMATION

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 (the “CODM”) for the purpose of allocating resources to the segment and of assessing its performance. Based on its analysis, the Company has determined that its CODM is its Chief Executive Officer.

The Company has three reportable segments: (i) Commercial Skincare; (ii) Licensing and Royalties; and (iii) Manufacturing and Services.

Commercial Skincare

The Commercial Skincare reportable segment manufactures and sells branded non-prescription skincare products in both the Canadian and international markets. It also commercializes Pliaglis® and New Cellular Treatment Factor® in Canada. Branded non-prescription products manufactured by the Company include: Laboratoire Dr Renaud®, Pro-Derm® and Alyria®. These premium skincare lines provide solutions for a wide range of skin concerns such as aging, acne, hydration, pigmentation, and rosacea.

In Canada, the Company’s sales force calls on aesthetic spas, medspas as well as medical aesthetic clinics using a business to business to consumer model, while some of its brands are also sold directly to consumers through its online platforms. International markets include the United States, South Korea and Malaysia, where some of the Company’s brands are sold by distribution partners, including through e-commerce. The Company recognizes revenue from the sale of products when the goods are shipped or received by the customers depending on the specific arrangement.

Licensing & Royalties

The Licensing and Royalties (“Licensing”) reportable segment includes revenues generated from licensing the intellectual property related to Pliaglis, or for the use of the Company’s transdermal delivery technologies, MMPE™ and DuraPeel™, on either an exclusive or non-exclusive basis. The Licensing segment may also leverage the Company’s in-house R&D capabilities for the development of new topical products combining its technologies and various selected molecules in order to fuel future licensing agreements in the non-prescription skincare market. The key revenue streams in the Licensing segment include upfront and milestones payments as well as royalties determined using the agreed-upon formulas as described in each respective licensing agreement. Under agreements where the Company supplies Pliaglis, revenue streams also include product sales including a mark-up.

Manufacturing and Services

The Manufacturing and Services (“Manufacturing”) reportable segment includes two main revenue streams: 1) revenue from the sale of topical products manufactured to client specifications under the Company’s contract development and manufacturing organization (“CDMO”) infrastructure; and 2) revenue from product development services. Clients in the Manufacturing segment use Crescita’s CDMO services to manufacture topicals either under a private label or a brand name and may use a combination of Crescita’s existing formulations or novel formulations, with or without the utilization of the Company’s transdermal delivery technologies.

Corporate and Other

The Corporate and Other total includes all the operating expenses, financing costs and corporate income tax expenses incurred by the Company to support its public company infrastructure and the three reportable segments.

	Commercial Skincare	Licensing & Royalties	Manufacturing and Services	Corporate and Other	Total
Three months ended September 30, 2021	\$	\$	\$	\$	\$
Revenues	1,563	319	1,111	-	2,993
Cost of goods sold	678	-	790	-	1,468
	885	319	321	-	1,525
Expenses					
Research and development	-	-	-	126	126
Selling, general and administrative	-	-	-	1,909	1,909
Depreciation and amortization	-	-	-	350	350
Other net expenses	-	-	-	40	40
Total expenses	-	-	-	2,425	2,425
	885	319	321	(2,425)	(900)

	Commercial Skincare	Licensing & Royalties	Manufacturing and Services	Corporate and Other	Total
Nine months ended September 30, 2021	\$	\$	\$	\$	\$
Revenues	5,199	1,600	2,408	-	9,207
Cost of goods sold	2,202	116	1,526	-	3,844
	2,997	1,484	882	-	5,363
Expenses					
Research and development	-	-	-	463	463
Selling, general and administrative	-	-	-	5,702	5,702
Depreciation and amortization	-	-	-	1,032	1,032
Other net expenses	-	-	-	214	214
Total expenses	-	-	-	7,411	7,411
	2,997	1,484	882	(7,411)	(2,048)

	Commercial Skincare	Licensing & Royalties	Manufacturing and Services	Corporate and Other	Total
Three months ended September 30, 2020	\$	\$	\$	\$	\$
Revenues	1,782	4,999	520	-	7,301
Cost of goods sold	789	-	383	-	1,172
	993	4,999	137	-	6,129
Expenses					
Research and development	-	-	-	212	212
Selling, general and administrative	-	-	-	1,632	1,632
Depreciation and amortization	-	-	-	415	415
Other net income	-	-	-	(737)	(737)
Deferred income tax expense	-	-	-	399	399
Total expenses	-	-	-	1,921	1,921
	993	4,999	137	(1,921)	4,208

	Commercial Skincare	Licensing & Royalties	Manufacturing and Services	Corporate and Other	Total
Nine months ended September 30, 2020	\$	\$	\$	\$	\$
Revenues	4,625	6,865	1,359	-	12,849
Cost of goods sold	2,200	-	964	-	3,164
	2,425	6,865	395	-	9,685
Expenses					
Research and development	-	-	-	776	776
Selling, general and administrative	-	-	-	5,383	5,383
Depreciation and amortization	-	-	-	1,243	1,243
Other net expenses	-	-	-	1,075	1,075
Deferred income tax expense	-	-	-	579	579
Total expenses	-	-	-	9,056	9,056
	2,425	6,865	395	(9,056)	629

6. INVENTORIES

Inventories consisted of the following as at:

	September 30, 2021	December 31, 2020
	\$	\$
Raw materials	2,336	1,653
Work-in-process	926	443
Finished goods	1,554	1,361
	4,816	3,457

During the three and nine months ended September 30, 2021, inventories in the amount of \$1,308 and \$3,564, respectively were recognized in cost of goods sold (\$1,047 and \$2,964 respectively for the three and nine months ended September 30, 2020).

During the three and nine months ended September 30, 2021, \$160 and \$280 of finished goods were written down, respectively (\$125 and \$200, respectively for the three and nine months ended September 30, 2020).

There were no reversals of prior write-downs during the three and nine months ended September 30, 2021 (\$nil for the three and nine months ended September 30, 2020).

7. OTHER CURRENT ASSETS

Other current assets consisted of the following as at:

	September 30, 2021	December 31, 2020
	\$	\$
Prepaid expenses	535	236
Deposits	61	61
Sales taxes receivable	73	48
Current portion of contract assets (Note 8)	162	147
Government grants receivable (Note 16)	94	152
	925	644

8. CONTRACT ASSETS

Under IFRS 15 – *Revenue from Contracts with Customers*, contract assets represent the present value of the future guaranteed minimum royalties that are expected to be received over the term of licensing agreements. Contract asset balances are reduced as the contractual minimums are realized over the term of an agreement.

The timing of revenue recognition, billings and cash collections result in accounts receivables and unbilled receivables, representing the contract assets. Generally, billings occur subsequent to revenue recognition resulting in the recognition of accounts receivables. The Company's contract assets relate to licensing revenue attributable to future guaranteed minimum royalties which have not been billed at the reporting date. Unbilled receivables will be billed, and transferred to accounts receivable, in accordance with the agreed-upon contractual terms.

The following table presents the movements in the current and long-term portions of the contract assets:

	\$
Balance, December 31, 2020	2,124
Amounts billed to customers and transferred to accounts receivable	(225)
Interest accretion	113
Foreign exchange movement	(109)
Balance, September 30, 2021	1,903
Less: current portion (Note 7)	162
Long-term balance	1,741

9. RIGHT-OF-USE ASSET

The following table presents the right-of-use asset for the Company:

	\$
Balance, December 31, 2020	228
Add: lease modification ⁽ⁱ⁾	1,944
Less: amortization	(267)
Balance, September 30, 2021	1,905

⁽ⁱ⁾ On March 15, 2021, the Company amended the lease for its manufacturing and office facility resulting in an adjustment to the right-of-use asset of \$1,944. Refer to Note 12 – *Lease Obligation* for details.

10. INVESTMENT IN ASSOCIATE AND CONVERTIBLE NOTE

On September 7, 2021, the Company announced that it completed the acquisition of a minority interest in Akyucorp Ltd. d/b/a The Best You®, a privately-held network of six medical aesthetic clinics in the province of Ontario (“The Best You”). In consideration for the minority interest, Crescita issued 470,128 of its common shares (“Common Shares”) at a price of \$0.70 per Common Share for a total of \$330. The Company determined that it has significant influence from its representation on the board of directors and participation in decisions over relevant activities. The investment is accounted for using the equity method.

In addition, the Company purchased from The Best You a secured convertible promissory note (the “Convertible Note”) with an initial principal amount of \$500, that could reach up to \$1,250, contingent on certain events and conditions being met. The Convertible Note bears interest at variable rates based on the annual volume of products purchased by The Best You from the Company. It is convertible at Crescita's option into an additional equity interest in The Best You at any time following July 31, 2023 or upon the occurrence of certain events, and mandatorily convertible should The Best You achieve a specified level of financial performance. The Convertible Note matures in September 2026 and qualifies as a financial asset to be measured at fair value through profit or loss. At September 30, 2021, the transaction price was determined to be an accurate estimate of fair value.

11. CREDIT FACILITY

The Company has a revolving credit facility (the “Facility”) with a Canadian chartered bank (the “Bank”) for an authorized amount, subject to margin requirements, which was increased during the three months ended September 30, 2021 from \$3,500 to \$6,000 until April 30, 2022. Loans drawn on the Facility are secured by a first-ranking charge in favour of the Bank over the Company's accounts receivable and inventories. Drawings in excess of the first \$1,000 are limited to a percentage of the Company's outstanding accounts receivable and inventory, resulting in a total amount available under the Facility of \$2,103 at September 30, 2021 (\$2,074 at December 31, 2020). The Facility bears interest at the Bank's prime rate (2.45% as at September 30, 2021) plus 0.25% and does not have any financial covenants. No amounts had been drawn from the Facility as at September 30, 2021.

12. LEASE OBLIGATION

The following table presents the movements in the lease obligation:

	\$
Balance, December 31, 2020	297
Add: lease modification	1,944
Less: lease principal payments	(260)
Balance, September 30, 2021	1,981
Less: current portion	363
Long-term balance	1,618

On March 15, 2021, the Company amended the lease for its manufacturing and office facility, extending the lease term for a period of five years until September 30, 2026 and adding a renewal option in favour of the Company for an additional period of five years until September 30, 2031. The lease amendment qualified as a lease modification under IFRS 16 – Leases resulting in an adjustment to the lease obligation and right-of-use asset of \$1,944 based on the net present value of the remaining lease payments until September 30, 2026, discounted using Crescita's incremental borrowing rate of 4.25%.

13. CAPITAL STOCK

Authorized

- Unlimited common shares, voting, without par value.
- 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.

Issued and Outstanding

The following table summarizes Crescita's outstanding common shares:

	Number	\$
Balance, December 31, 2019	20,742,183	58,422
Shares cancelled	(9,547)	-
Shares repurchased and cancelled	(84,188)	(238)
Balance, December 31, 2020	20,648,448	58,184
Shares issued (Note 10)	470,128	330
Shares repurchased and cancelled	(56,760)	(160)
Shares repurchased but not cancelled	-	(30)
Balance, September 30, 2021	21,061,816	58,324

The Company's previous normal course issuer bid (the “Previous NCIB”) expired on June 27, 2020 and was not renewed. The Previous NCIB enabled Crescita to purchase up to 1,000,000 of Common Shares for cancellation on the open market through the facilities of the Toronto Stock Exchange (“TSX”) commencing June 28, 2019. During the three and nine months ended September 30, 2020, nil and 84,188 Common Shares with a carrying value of \$238 were repurchased and cancelled under the Previous NCIB for a cash consideration of \$68. The excess of the carrying value over the purchase price in the amount of \$170 was recorded to Contributed Surplus.

On November 26, 2020, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB"), enabling it to purchase up to 1,000,000 Common Shares for cancellation on the open market through the facilities of the TSX. The Common Shares may be purchased under the NCIB commencing on November 30, 2020, and ending no later than November 29, 2021, or on such earlier date when the Company completes its purchases or elects to terminate the bid. In connection with its NCIB, the Company adopted an automatic securities purchase plan that contains strict parameters regarding how its Common Shares may be repurchased during times when it would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed blackout periods.

During the three and nine months ended September 30, 2021, 31,804 and 67,412 Common Shares with a carrying value of \$90 and \$190 were repurchased for cancellation under the NCIB for cash considerations of \$22 and \$46, respectively. The excesses of the carrying value over the purchase price in the amounts of \$68 and \$144, respectively, were recorded to Contributed Surplus. Of the 31,804 Common Shares repurchased during the three months ended September 30, 2021, 10,652 Common Shares with a carrying value of \$30 and a purchase value of \$7 were held by the Company and cancelled subsequent to September 30, 2021.

The Company may terminate the NCIB provided that the insiders of the Company are not then in a trading blackout and the Company is not otherwise in possession of any material undisclosed information about its business.

14. REVENUES

The following tables present external revenues disaggregated by reportable segment, revenue source and geographic area (based on the customer's billing address) for the three and nine months ended September 30, 2021 and 2020:

	For the three months ended September 30,							
	Canada		U.S.		ROW		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Commercial Skincare								
Product Sales	1,500	1,437	10	14	53	331	1,563	1,782
Licensing and Royalties								
Licensing Revenue	-	4,964	-	-	319	35	319	4,999
Manufacturing and Services								
Product Sales	117	30	888	490	106	-	1,111	520
	1,617	6,431	898	504	478	366	2,993	7,301

	For the nine months ended September 30,							
	Canada		U.S.		ROW		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Commercial Skincare								
Product Sales	4,948	4,039	38	62	213	524	5,199	4,625
Licensing and Royalties								
Licensing Revenue	806	6,417	-	-	794	448	1,600	6,865
Manufacturing and Services								
Product Sales	307	110	1,993	1,249	108	-	2,408	1,359
	6,061	10,566	2,031	1,311	1,115	972	9,207	12,849

Major Customers

Under IFRS 8, major customers are those that account for greater than 10% of the Company's consolidated revenues. For the three and nine months ended September 30, 2021, the Company had one major customer in the Manufacturing segment that accounted for 23% and 17%, respectively, of the Company's total revenues (one major customer in the Licensing segment that accounted for 68% and 50% of revenues, respectively, for the three and nine months ended September 30, 2020).

15. SHARE-BASED COMPENSATION AND OTHER SHARE-BASED PAYMENTS

Share Option Plan

The following is a schedule of Crescita's options outstanding as at:

	Number of Options 000's	Range of Exercise Price \$	Weighted Average Exercise Price \$
Balance, December 31, 2020	2,789	0.43 - 1.65	0.81
Granted	168	0.7	0.7
Forfeited	(36)	0.60 - 0.78	0.7
Expired	(38)	1.21	1.21
Balance, September 30, 2021	2,883	0.43 - 1.65	0.80

The following table summarizes the outstanding and exercisable Crescita options held by directors, officers, employees and consultants as at September 30, 2021:

Exercise Price Range \$	Outstanding			Exercisable	
	Number of Options 000's	Remaining Contractual Life years	Weighted Average Exercise Price \$	Vested Options 000's	Weighted Average Exercise Price \$
0.43 - 0.58	977	6.70	0.48	645	0.48
0.60 - 0.81	1,295	6.90	0.66	795	0.67
1.21 - 1.42	97	0.49	1.42	97	1.42
1.63 - 1.65	514	4.63	1.63	514	1.63
	2,883	6.21	0.80	2,051	0.89

Share Appreciation Rights Plan

The following is a schedule of Crescita's share appreciation rights ("SARs") outstanding as at:

	Number of SARs 000's	Range of Grant Price \$	Weighted Average Grant Price \$
Balance, December 31, 2020	-	-	-
Granted	278	0.70	0.70
Balance, September 30, 2021	278	0.70	0.70

Summary of Share-based Compensation

Share-based compensation expense is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Share Option Plan	38	31	132	121
Share Appreciation Rights Plan	1	-	17	-
Share-based compensation expense	39	31	149	121

Recorded in the consolidated interim statements of income (loss) and comprehensive income (loss) as follows:

Selling, general and administrative expenses	39	31	149	121
Share-based compensation expense	39	31	149	121

Deferred Share Unit Plan

The Company's board of directors approved a Deferred Share Unit Plan ("DSU" and the "DSU Plan") on May 10, 2021. Under the DSU Plan, the Company may grant units exclusively to directors of the Company from time to time. No units were granted under the DSU Plan as at September 30, 2021.

16. EXPENSES BY NATURE

The consolidated interim statements of income (loss) and comprehensive income (loss) include the following expenses by nature:

(a) Employee costs:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term employee wages, bonuses and benefits ⁽ⁱ⁾	1,336	1,091	3,762	3,418
Share-based payments (Note 15)	35	24	134	78
Termination benefits	3	7	5	243
Total employee costs	1,374	1,122	3,901	3,739
Included in:				
Cost of goods sold	278	266	613	818
Research and development expenses (R&D)	157	144	517	414
Selling, general and administrative expenses (SG&A)	939	712	2,771	2,507
Total employee costs	1,374	1,122	3,901	3,739

⁽ⁱ⁾ The Company determined that it qualified for the Canada Emergency Wage Subsidy ("CEWS") program (the "Program") under the COVID-19 Economic Response Plan in Canada. Subsidies under the Program are recorded as a reduction of related wages and salaries. For the three and nine months ended September 30, 2021, the Company recognized \$227 and \$1,014, respectively, under the Program. Of these amounts, \$74 and \$298, respectively, were recorded against inventory, while the remaining balances of \$153 and \$716, respectively, were recorded against SG&A. For the three and nine months ended September 30, 2020, the Company recognized \$485 and \$783, respectively, under the Program. Of these amounts, \$227 was recorded against inventory for the three and nine months, while the remaining balances of \$258 and \$556, respectively, were recorded against SG&A.

(b) Depreciation and amortization:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cost of goods sold	114	98	326	293
Selling, general and administrative expenses ⁽ⁱⁱ⁾	236	317	706	950
Total depreciation and amortization	350	415	1,032	1,243

⁽ⁱⁱ⁾ Includes \$219 and \$656 of amortization of intangible assets and \$17 and \$50 of depreciation of tangible assets respectively for the three and nine months ended September 30, 2021 (\$301 and \$904 for intangible assets and \$16 and \$46 for tangible assets respectively for the three and nine months ended September 30, 2020).

17. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accounts receivable	422	(339)	35	480
Inventories	(1,042)	27	(1,639)	(278)
Other current assets and Contract assets	(83)	(132)	(33)	149
Accounts payable and accrued liabilities	928	131	1,090	528
Net change in non-cash working capital	225	(313)	(547)	879

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – determined by reference to quoted prices in active markets for identical assets and liabilities.

Level 2 – include those where valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.

Level 3 – valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The following table provides the fair value measurement hierarchy of the financial instruments measured at fair value subsequent to initial recognition in the consolidated interim statements of financial position as at:

	September 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements						
Contingent consideration – Alyria royalty earn-out	-	-	(20)	-	-	(20)
Convertible note – The Best You (Note 10)	-	-	500	-	-	-

Valuation Methods and Assumptions

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. 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 three and nine months ended September 30, 2021 and 2020.

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.

Level 3 liabilities include obligations for the contingent consideration payable relating to the royalty earn-out in connection with the acquisition of the Alyria product line. The fair value of the contingent consideration payable is revalued at each reporting period based on management's best estimate using the discounted cash flow method.

Level 3 assets include the convertible note receivable from The Best You. The fair value of the convertible note is revalued at each reporting period based on management's best estimate using the discounted cash flow method. Refer to Note 10 – *Investment in Associate and Convertible Note*.

The fair values of the Company's non-current obligations, which are presented at amortized cost using the effective interest method, have been estimated using rates currently available to the Company for obligations with similar terms and remaining maturities. The fair values of these instruments approximate their carrying values and would be classified as Level 2.

The fair value of contract assets, which are presented at amortized cost using the effective interest method, has been determined by discounting the future cash flows using observable inputs, such as interest rate yield curves or credit spreads. The fair value of the contract asset approximates its carrying value. Refer to Note 8 – *Contract Assets*.

Risk Factors

The following is a discussion of liquidity, credit and market risks and related mitigation strategies that have been identified. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk

The Company anticipates that its current cash, amount available under its revolving credit facility and the revenue it expects to generate from product sales, upfront, milestone and royalty payments related to licensing its products and/or its transdermal delivery technologies, will be sufficient to fund its committed obligations and expected level of expenses for at least the next twelve months. Additional funding may be required for the development of new products and/or for future acquisitions.

The Company's exposure to liquidity risk is dependent on the sales growth and profitability of its operations which may be impacted by the status of competitive products and the success of the Company in developing and maintaining markets for its products. In addition, a number of other factors may have an impact on liquidity risk including the COVID-19 pandemic, the level of R&D expenditures for product candidates, costs associated with maintaining regulatory approvals, the timing of payments received or made under licensing arrangements and the acquisition costs of licenses for new products or technologies.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash, amounts receivable from customers including contract assets, and its convertible note. The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions. The Company's accounts receivables are subject to normal industry risks in each geographic region where the Company operates. The Company has updated its expected credit losses on the entire accounts receivable balance as at September 30, 2021, in order to adjust for the potential impact of the COVID-19 pandemic on the collectability of its accounts receivable, which did not result in any significant impact. In addition, the Company may be exposed to credit-related losses on sales to its customers outside North America, including its contract asset, due to potentially higher risks of enforceability and collectability.

As at September 30, 2021, 19% of accounts receivables related to customers outside North America and the E.U. (December 31, 2020 - 15%).

The contract asset in the amount of \$1,903 is related to the Company's commercialization license agreement with Cantabria Labs Inc. and is denominated in euros (December 31, 2020 - \$2,124).

As at September 30, 2021, the Company had three customers that accounted for approximately 44% of total accounts receivable (one customer that accounted for approximately 17% of total accounts receivable as at December 31, 2020).

Pursuant to their collective terms, accounts receivables were aged as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Current	752	791
0-30 days past due	115	251
31-60 days past due	106	50
61-90 days past due	110	16
Over 90 days past due	35	43
	1,118	1,151
Allowance for doubtful accounts	(79)	(79)
	1,039	1,072

Interest Rate Risk

The Company's practice is to minimize interest rate cash flow risk exposures on its financing. The Company is currently not exposed to interest rate variability as its convertible debt instruments bear a fixed interest rate of 9% per year and it had not drawn any amounts on its Facility as at September 30, 2021.

Currency Risk

The Company operates internationally, which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar and euro, but also transacts in other foreign currencies.

The significant balances in foreign currencies were as follows:

	Euros		U.S. Dollars	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	€	€	\$	\$
Cash and cash equivalents	720	110	980	808
Accounts receivable	59	115	310	96
Other current assets	247	156	158	9
Contract assets	1,176	1,267	-	-
Accounts payable and accrued liabilities	(173)	(82)	(1,686)	(1,162)
	2,029	1,566	(238)	(249)

Based on the aforementioned net exposure as at September 30, 2021, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of \$300 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of \$30 on total comprehensive loss.

In terms of the euro, the Company has four exposures: (i) its euro-denominated cash held in its Canadian operations; (ii) the cost of purchasing raw and packaging materials priced in euros or sourced from European suppliers; (iii) upfronts, royalties and milestones from licensing agreements for Pliaglis, or for its transdermal delivery technologies; and (iv) its net investment and net cash flows in its European operations.

In terms of the U.S. dollar, the Company has five exposures: (i) its U.S. dollar-denominated cash held in its Canadian operations; (ii) the cost of purchasing raw and packaging materials priced in U.S. dollars or sourced from U.S. suppliers; (iii) upfronts, royalties and milestones from licensing agreements for Pliaglis, or for its transdermal delivery technologies; (iv) its net investment and net cash flows in its U.S. operations; and (v) revenues generated in U.S. dollars from its product sales to U.S. customers.