First Quarter 2022 Interim Report

Management's Discussion and Analysis

May 10, 2022

Basis of Presentation

This Management's Discussion and Analysis of the financial position and results of operations ("MD&A") is the responsibility of management and has been reviewed and approved by Crescita's board of directors (the "Board of Directors"). This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators ("CSA"). While the Board of Directors is ultimately responsible for approving the MD&A, it carries out this responsibility mainly through the oversight of its Audit Committee, which has been appointed by the Board of Directors and is composed entirely of independent and financially literate directors.

Throughout this document, Crescita Therapeutics Inc. is referred to as "Crescita", "we", "our" or "Company". This MD&A provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations, cash flows and financial condition of the Company. The following information should be read in conjunction with Crescita's condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2022 and 2021 (the "Q1-22 Interim Financial Statements") which have been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR"). Crescita's accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including its most recently filed Annual Information Form ("AIF"), can be found on the Company's profile on SEDAR at www.sedar.com.

Materiality of Disclosures

This MD&A includes information we believe is material to investors. We consider something to be material if it results in or would reasonably be expected to result in a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information important in making an investment decision.

All amounts in this MD&A are expressed in thousands of Canadian dollars ("CAD"), unless otherwise noted. This MD&A contains "forward-looking information". Refer to *Forward-looking Statements*.

The Company uses non-IFRS and key financial measures in this MD&A. Refer to the *Non-IFRS and Key Financial Measures*, and the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A.

Highlights and Key Business Developments

Financial Highlights

Q1- 22 vs. Q1- 21
• Revenue was $4,951 compared to $3,265, an increase of $1,686;
• Gross profit was $2,712 compared to $2,116, an increase of $596;
• Operating expenses were $3,088 compared to $2,413, an increase of $675;
• Adjusted EBITDA[1] was $66 compared to $87, a decrease of $21;
• Ending cash of $11,742, an increase of $411 for the quarter.

[1] Adjusted EBITDA is a non-IFRS measure. Refer to the *Non-IFRS and Key Financial Measures*, *and* the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A.

Key Business Developments

For the quarter ended March 31, 2022 and up to the date of this MD&A:

Launch of Obagi Medical® Product Line in Canada
In April, we officially launched the Obagi Medical product line under our agreement with Obagi Cosmeceuticals LLC ("Obagi") for the exclusive rights to promote, distribute and sell the product line in Canada in the medical skincare market. With a 30-year history of science and innovation, Obagi is a skincare company that designs products promoting skin health. The Obagi Medical line includes skincare products designed to restore the skin's natural radiance by improving skin tone and texture and diminishing the appearance of premature aging (including hyperpigmentation), photodamaged skin or acne. The efficacy of Obagi Medical products is supported by clinical studies. The Obagi Medical line enhances our medical skincare portfolio, and complements Pro-Derm® which is intended to optimize medical aesthetic procedures offered by doctors, dermatologists, and plastic surgeons. Our sales force will be promoting and selling the products nationwide.

Forward-looking Statements

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements can be identified by words such as: "anticipate", "intend", "plan", "goal", "seek", "believe", "project", "estimate", "expect", "strategy", "future", "likely", "may", "should", "will" and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the Company's objectives, plans, goals, strategies, growth, performance, operating results, financial condition, our belief that we have sufficient liquidity to fund our business operations during the upcoming fiscal year, strategy for customer retention, growth, product development, market position, financial results and reserves, strategy for risk management, business prospects, opportunities and industry trends, the expected impact of, and responses taken by the Company with respect to, the COVID-19 pandemic, and similar statements concerning anticipated future events, results, circumstances, performance or expectations. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. Crescita's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, readers should not unduly rely on any of these forward-looking statements. Important factors that could cause Crescita's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, economic and market conditions, the impact of the COVID-19 pandemic and the response thereto of governments and consumers, the Company's ability to execute its growth strategies, reliance on third parties for clinical trials, marketing, distribution and commercialization, the impact of changing conditions in the regulatory environment and product development processes, manufacturing and supply risks, increasing competition in the industries in which the Company operates, the Company's ability to meet its debt commitments, the impact of unexpected product liability matters, the impact of litigation involving the Company and/or its products, the impact of changes in relationships with customers and suppliers, the degree of intellectual property protection of the Company's products, the degree of market acceptance of the Company's products, developments and changes in applicable laws and regulations, as well as other risk factors described from time to time in the reports and disclosure documents filed by Crescita with Canadian securities regulatory agencies and commissions, including the sections entitled "Risk Factors" in the Company's most recent annual MD&A and AIF dated March 22, 2022. As a result of the foregoing and other factors, no assurance can be given that future results, levels of activity or achievements indicated in any forward-looking statements will actually be achieved. Any forward-looking statement made by the Company in this MD&A is based only on information currently available to management and speaks only as of the date on which it is made. Except as required by applicable securities laws, Crescita undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Non-IFRS and Key Financial Measures

We report our financial results in accordance with IFRS. However, we use certain non-IFRS financial measures to assess our Company's performance. We believe these to be useful to management, investors, and other financial stakeholders in assessing Crescita's performance.

The non-IFRS measures used in this MD&A do not have any standardized meaning prescribed by IFRS and are therefore not comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

The following are the non-IFRS and key financial measures used by management alongside their respective definitions:

Profitability	• **EBITDA *(non-IFRS)*** – is defined as earnings before interest, income taxes, depreciation, and amortization. A reconciliation of EBITDA to its closest IFRS measure can be found under the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A. • **Adjusted EBITDA *(non-IFRS)*** – is defined as earnings before interest, income taxes, depreciation and amortization, share of (profit) losses of associates, other (income) expenses, share-based compensation costs, goodwill and intangible asset impairment, and foreign exchange (gains) losses, as applicable. Management believes that Adjusted EBITDA is an important measure of operating performance and cash flow and provides useful information to investors as it highlights trends in the underlying business that may not otherwise be apparent when relying solely on IFRS measures. A reconciliation of Adjusted EBITDA to its closest IFRS measure can be found under the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A. • **Net income (loss) before income taxes** – is a measure of income or loss generated by the Company during the period.
Liquidity	• **Cash provided by (used in) operating activities** – is a measure of cash generated from or used in managing our day-to-day business operations. We believe that operating cash flow is indicative of financial flexibility, allowing us to execute our growth strategy.

Reporting Segments

We have three reportable segments: (i) Commercial Skincare; (ii) Licensing and Royalties; and (iii) Manufacturing and Services.

Commercial Skincare
The Commercial Skincare ("Commercial") reportable segment manufactures and sells branded non-prescription skincare products in the Canadian and international markets. It also commercializes Pliaglis®, NCTF® Boost 135 HA ("NCTF"), and the Obagi Medical product line in Canada. Non-prescription product brands manufactured by the Company include: Laboratoire Dr Renaud® ("LDR"), 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, our sales force calls on aesthetic spas, medispas as well as medical aesthetic clinics using a business to business ("B2B") model, while some of our brands are also sold directly to consumers through our online platforms. International markets include the United States ("U.S."), South Korea and Malaysia, where some of our brands are sold by distribution partners, including through e-commerce.

Licensing and Royalties
The Licensing and Royalties ("Licensing") reportable segment derives revenue from licensing the intellectual property related to Pliaglis, our lead prescription product, or for the use of our transdermal delivery technologies, Multiplexed Molecular Penetration Enhancers™ ("MMPE") and DuraPeel™, on either an exclusive or non-exclusive basis. The Licensing segment may also leverage our in-house research and development ("R&D") capabilities for the development of new topical products combining our 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 pre- and post-commercialization milestone payments, royalties determined using the agreed-upon formulas as described in each respective licensing agreement, and product sales under supply agreements with the Company's licensing partners.

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 our contract development and manufacturing organization ("CDMO") infrastructure; and 2) revenue from product development services. Clients in the Manufacturing segment use our 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 our transdermal delivery technologies.

Refer to the *Revenue by Segment* and *Gross Profit by Segment* sections of this MD&A and to Note 4 - *Segmented Information* of our Q1-22 Interim Financial Statements.

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic (the "Pandemic"). The Pandemic resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures to date have included the implementation of travel bans, border shutdowns, self-imposed quarantine periods, restrictive social measures and the sporadic closure of non-essential businesses, which have caused material disruptions to businesses and the global economy.

As a result of the far-reaching impacts of the Pandemic, we have seen and may continue to see disruptions to our operations and performance, such as that resulting from closures amongst our clients including spas and medispas. In addition, the cost of inflation within our supply chain remains high, and further cost increases could have a significant impact on our cost of sales and margins. We are actively assessing measures to mitigate these costs and operational disruptions, including: (i) operational efficiencies; (ii) readying additional suppliers; (iii) increasing inventory of core materials due to extended lead times; and (iv) pricing action.

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, and to implement safety protocols ensuring the health and wellness of employees and business partners, which remains a top priority.

Outlook and Liquidity Update

Our objectives when managing our liquidity and capital structure are to maintain enough cash to fund our operations, including organic growth initiatives, to pursue strategic acquisitions as part of our growth strategy, and to meet contractual obligations as they become due. As of March 31, 2022, Crescita had working capital (defined as current assets minus current liabilities) of $13,062, including a cash balance of $11,742, and an accumulated deficit of $(41,949). Our cash and other current assets at March 31, 2022 were sufficient to meet our current accounts payable, accrued liabilities, lease and other obligations for at least the next twelve months. In addition, we have a revolving credit facility (the "Facility") for an authorized amount, subject to margin requirements, of $3,500 as at the date hereof. As at March 31, 2022, the authorized amount under the Facility was $6,000, reflecting a temporary increase until April 30, 2022, to fund growth in the Manufacturing segment. Based on our accounts receivables and inventory values at quarter end, the total amount available under the Facility was $3,943. The Facility bears no financial covenants, and no amounts have yet been drawn.

Our ability to generate sufficient revenue to reach sustained profitability depends on the successful implementation of our growth strategy. The continuation of the COVID-19 pandemic, causing the slowdown of the worldwide economy, could adversely impact our ability to carry out our plans. The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond our control. This exposure is discussed in more detail in the *Risks Factors* section of our most recent annual MD&A, and AIF for the 2021 fiscal year. The evolution of the Pandemic is dynamic and the ultimate duration and magnitude of its impact on the economy, capital markets and our financial position cannot be reasonably estimated at this time.

Normal Course Issuer Bid

On December 15, 2021, the Company announced that the TSX approved the renewal of its normal course issuer bid ("NCIB"), enabling it to purchase up to 1,000,000 Common Shares for cancellation from December 17, 2021, to December 16, 2022. Under its previous NCIB, ended on November 29, 2021, the Company could also purchase up to 1,000,000 Common Shares.

In connection with each of its NCIBs, the Company adopted an automatic securities purchase plan ("ASPP") 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. Such purchases are executed by the broker on parameters established by the Company prior to the preestablished ASPP period.

For the three months ended March 31,	**2022**	**2021**
In 000's of CAD, except number of shares and average price	**$**	$
Common Shares repurchased for cancellation[1]	**120,400**	35,608
Weight average purchase price per share	**0.68**	0.70
Total purchase price	**82**	25

[1] Of the 120,400 shares repurchased for cancellation during the three months ended March 31, 2022, 6,270 Common Shares were repurchased but paid for subsequent to quarter end.

Outstanding Share Data

The following table provides the designation and number of each class and series of voting, equity, or convertible securities of Crescita, outstanding:

	As at May 9, 2022
Common shares	20,804,382
Stock options[1]	2,999,465
Convertible debentures[2]	1,000,000
Warrants	496,000

[1] This amount includes 2,122,340 options which have vested.
[2] The debentures are convertible into common shares at the option of the holder at a price of $1.00 per share. The convertible debentures mature on June 30, 2022.

Selected Quarterly Financial Information

	Three months ended March 31,		
In thousands of CAD, except per share data and number of shares	**2022**	**2021**	**Change**
Operations	**$**	$	$
Revenues	**4,951**	3,265	1,686
Cost of goods sold	**2,239**	1,149	1,090
Gross profit	**2,712**	2,116	596
Gross margin	***54.8%***	*64.8%*	*-10.0%*
Operating expenses	**3,088**	2,413	675
Operating loss	**(376)**	(297)	(79)
Interest (income) expense, net	**15**	(12)	27
Foreign exchange loss	**71**	151	(80)
Total other expenses	**86**	139	(53)
Share of loss of an associate	**(12)**	-	(12)
Net loss	**(474)**	(436)	(38)
Adjusted EBITDA[1]	**66**	87	(21)
Earnings per share			
Basic and diluted	**$ (0.02)**	$ (0.02)	$ -
Weighted average number of common shares outstanding			
Basic and diluted	**20,936,672**	20,626,608	310,064
Balance Sheet (As at March 31)			
Cash and cash equivalents	**11,742**	13,944	(2,202)
Total assets	**29,415**	28,696	719
Total non-current financial liabilities[2]	**1,583**	2,900	(1,317)
Total liabilities	**9,391**	7,973	1,418
Total equity	**20,024**	20,723	(699)

[1] Adjusted EBITDA is a non-IFRS measure. Refer to the *Non-IFRS and Key Financial Measures*, *and* the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A.
[2] Non-current financial liabilities are defined as the sum of the long-term portions of convertible debentures, other obligations and lease obligations. As at March 31, 2022, convertible debentures totaling $988 were presented as part of current liabilities given a maturity date of June 30, 2022.

Corporate Overview

About Crescita

Crescita (TSX: CTX and OTC US: CRRTF) is a growth-oriented, innovation-driven Canadian commercial dermatology company with in-house 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. In addition, we own multiple proprietary transdermal delivery platforms that support the development of patented formulations to facilitate the delivery of active ingredients into or through the skin.

Our non-prescription portfolio includes a wide variety of premium quality dermocosmetic products. To qualify as a dermocosmetic, a product must contain active ingredients whose effectiveness against a specific skin concern has been evidenced through clinical studies. Our dermocosmetic products include facial creams, cleansers, exfoliants, masks, serums and suncare, that each serve a different and personalized consumer need. The portfolio's range is designed to address preventive care to the first signs of aging, as well as all primary aesthetic skin concerns.

Our products serve two sub-sets of the skincare market: (i) aesthetics and (ii) medical aesthetics.

(i) Professional aestheticians use our skincare products to target well-known and common skin concerns, such as mild acne, aging, dehydration, pigmentation, sensitivity, and rosacea. The spa environment provides non-invasive skincare solutions to consumers. Our lead aesthetic skincare brand is Laboratoire Dr Renaud.

(ii) Medical aesthetics is a niche market between the cosmetic industry and plastic surgery and includes medical treatments that are focused on improving patients' cosmetic appearance. Qualified doctors and nurses typically perform both non-invasive and minimally invasive procedures or skincare treatments such as chemical peels, advanced retinol facials, microdermabrasion, hyaluronic acid ("HA") and neurotoxin injections, and various laser and device treatments. Our primary medical aesthetic brands are Pro-Derm and Alyria. We also distribute NCTF and the Obagi Medical product line in Canada, and market Pliaglis, our lead prescription product, in the Canadian physician-dispensed skincare market through our own sales force.

Our national sales force calls on aesthetic practitioners, medical aesthetic clinics and medispas across Canada. In addition, our skincare brands are sold in certain Asian markets, such as Malaysia and South Korea through international distributors, as well as through e-commerce platforms.

Pliaglis utilizes our proprietary phase-changing topical cream Peel technology – refer to *Transdermal Delivery Technologies*. Pliaglis is a topical local anesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures. The product is currently approved in 27 countries, and licensed in 40 countries, including: the U.S., Italy, Spain and Austria, where Pliaglis is currently sold by commercial partners.

In addition, our expertise in topical product formulation and development can be leveraged in combination with our patented transdermal delivery technologies to develop and manufacture creams, liquids, gels, ointments, and serums under our CDMO infrastructure. We provide our services to several North American clients under full cGMP ("Current Good Manufacturing Practice") conditions. We deliver turnkey solutions, integrating production with in-house R&D, supply chain, and quality control functions. Our integrated approach aims to simplify our clients' supply chain to maximize value, ensuring timely and cost-effective product launches. We run our operations from our head office located in the heart of the Biotech City in Laval, Québec, including a 50,000 square-foot production facility where we also manufacture the majority of our non-prescription skincare products. Formulations manufactured by or for Crescita include cosmetics, natural health products ("NHP") and products with Drug Identification Numbers ("DIN"). We maintain a registered office located at 6733 Mississauga Road, Suite 800, Mississauga, Ontario, L5N 6J5.

Vision and Growth Strategy

Our vision is to become a Canadian leader in innovative, science-based skincare solutions, providing improved outcomes for all our clients' skincare concerns.

Our corporate growth strategy is comprised of four pillars, each of which is based on the fundamentals of our business model. Together, we refer to these as our "Four-Pillar Growth Strategy."

- Pillar 1: Organic Growth
- Pillar 2: Strategic Acquisitions and/or In-licensing Agreements
- Pillar 3: Strategic Out-licensing of Assets
- Pillar 4: Contract Development and Manufacturing Services

Our strategy was designed to generate growth over the long-term. There have been no changes to our vision and growth strategy since our year ended December 31, 2021. For further details, please refer to the section entitled "Vision and Growth Strategy" on page 12 of Crescita's 2021 Annual Report, which is available on our website at www.crescitatherapeutics.com and which was filed on SEDAR at www.sedar.com.

In furtherance of our Four-Pillar Growth Strategy, we are continuously evaluating and negotiating a variety of potential transactions and other business opportunities, including potential acquisitions, that could expand our product offering and distribution channels, some of which, if consummated, may be material. A number of negotiations for potential transactions may be in progress at varying stages at any given time, all of which remain subject to the approval of the Board of Directors. There can be no assurance that any of these negotiations will result in a binding transaction. See *Risks Related to the Company's Business* in the section entitled Risk Factors of our 2021 Annual Report.

Competitive Conditions

There have been no changes to the Company's competitive conditions since our last fiscal year ended December 31, 2021. For further details please refer to the section entitled "Competitive Conditions" on page 14 of Crescita's 2021 Annual Report, which is available on our website at www.crescitatherapeutics.com and which was filed on SEDAR at www.sedar.com.

Non-Prescription Skincare Product Portfolio

Laboratoire Dr Renaud
Founded over 70 years ago, Laboratoire Dr Renaud is a pioneer in the cosmetics industry. The product line was founded in France in 1947 by Dr. Louis Raymond Renaud, a well-known French dermatologist and was proudly launched as a Canadian brand in Montreal in 1963. Laboratoire Dr Renaud is inspired by nature to develop personalized solutions to address daily skin concerns such as: aging, acne, rosacea, pigmentation, dehydration, and sensitivity. With research and innovation at the heart of the brand, Laboratoire Dr Renaud's skincare solutions represent the perfect synergy of science and aesthetics. Products are designed according to the principles of biomimicry which imitate natural processes, making them extremely compatible with the skin. Crescita owns the trademark rights for the skincare line in North America, certain South American countries, and the Pacific Rim as well as the worldwide rights for the formulations. Virtually all the LDR products are manufactured at the Company's Laval manufacturing facility and can be purchased either through a professional aesthetician or through our e-commerce platform.

Pro-Derm
Pro-Derm is a line of high-quality dermocosmetic products sold to physicians operating medispas and medical aesthetic clinics. Pro-Derm products are used in conjunction with anti-aging medical procedures both pre and post treatment, such as dermal filler injections for lines and wrinkles, facial peels, laser treatments, aesthetic surgery as well as to prevent the undesired effects of aging. Developed by a Canadian team of chemists and a dermatologist, the products are designed to achieve and maintain healthy-looking skin and to optimize cosmetic procedures offered by physicians.

By offering a range of clinically proven effective ingredients, Pro-Derm combines the benefits of both cosmetic and pharmaceutical products. Our formulas are free from parabens, dyes, perfumes, alcohol, mineral oils, and other harsh chemicals, as well as from ingredients of animal origin. Crescita owns the trademark rights for Canada and the worldwide formulations and marketing rights for Pro-Derm. Virtually all the Pro-Derm products are manufactured at our Laval manufacturing facility and can be purchased either through a medispa, a medical aesthetic clinic or through our e-commerce platform.

Alyria
Alyria is a comprehensive dermocosmetic skincare line developed using scientific research to target major skincare concerns. Alyria offers a complete regimen to help patients achieve healthier-looking skin. Alyria products are sold by physicians operating medispas and medical aesthetic clinics and use therapeutic concentrations of high-quality ingredients, delivered through advanced skin optimizing systems. Alyria's portfolio is complementary to our Pro-Derm line and can be purchased throughout Canada in various medispas and medical clinics. Crescita owns the trademark rights for Canada, Europe, certain South American countries, and the U.S. In addition, Crescita owns the worldwide marketing rights for Alyria as well as the rights to the product formulations, which are, in some cases, on a non-exclusive basis.

NCTF Boost 135 HA
NCTF Boost 135 HA is a skin revitalization solution primarily used for the improvement of skin quality and fine lines. Comprising hyaluronic acid and more than 50 key ingredients including amino acids, vitamins, co-enzymes, and minerals, NCTF is a hydration booster providing the essential ingredients for skin health. Suitable for all generations, it specifically targets age-related skin changes such as dryness, dullness, uneven complexion, dilated pores, and wrinkles. We sell NCTF under our distribution and promotion agreement with Laboratoires FILLMED ("FILLMED") to medispas and medical aesthetic clinics across Canada. Since 1978, NCTF has been a leader in skin revitalization with over 4 million bottles sold by FILLMED and its partners around the world annually.

Obagi Medical
The Obagi Medical product line provides skincare products formulated to minimize signs of aging, address dark spots, hyperpigmentation, fine lines and wrinkles and to protect and enhance skin tone and texture. Some of the most well-known products include the Obagi Nu-Derm Fx® Systems, the Obagi-C® Fx Systems, the Obagi360® System, the CLENZIderm M.D.® Systems and the Professional-C® Collection. We launched the Obagi Medical product line in Canada in April 2022 under our distribution agreement with Obagi. Refer to *Key Business Developments*. The product line is sold to medispas and medical aesthetic clinics across Canada.

ART FILLER
ART FILLER is an exclusive collection of hyaluronic acid-based dermal fillers designed to smooth-out superficial to deep wrinkles, plump up the lips and create/restore the volumes and contours of the face. Developed, manufactured, and launched in 2016 by FILLMED, the ART FILLER range of products benefits from the Tri-Hyal® technology, an innovation in the R&D space. The gels are made of non-animal origin hyaluronic acid and feature an optimized equilibrium between free hyaluronic acid, long chains and very long chains of hyaluronic acid. Each product of the range has been developed with consideration of a precise treatment objective. The high performance and the tolerance of ART FILLER have been proven through a unique study combining clinical evaluations and instrument-based measurements over an 18-month period. We are expecting to launch the ART FILLER range in the Canadian medical aesthetic market under our distribution and promotion agreement with FILLMED in the second half of 2022, following its anticipated approval by Health Canada.

Prescription Product Portfolio

Pliaglis®
Pliaglis is a topical local anesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures. The formulation contains a eutectic mixture of 7% lidocaine and 7% tetracaine that utilizes our proprietary phase-changing topical cream *Peel* technology. The *Peel* technology consists of a drug-containing cream which, once applied to a patient's skin, dries to form a pliable layer that releases the active ingredients into the skin. Pliaglis is applied to intact skin for 20 to 30 minutes prior to superficial dermatological procedures such as dermal filler injections, non-ablative laser facial resurfacing, or pulsed-dye laser therapy and 60 minutes prior to procedures such as laser-assisted tattoo removal.

Following the application period, the pliable layer is easily removed from the skin allowing the procedure to be performed with minimal to no pain. In clinical studies, the mean duration of anesthesia has been shown to be in the range of 7 to 9 hours after the application of Pliaglis.

The product is currently approved in 27 countries, and licensed in 40 countries, including the U.S., Italy, Spain and Austria where Pliaglis is sold by commercial partners. As countries with the highest strategic priority have already been licensed, Crescita will focus on providing regulatory support to its strategic international partners in countries where Pliaglis is still not approved to ensure timely approval. In the various rest-of-world ("ROW") countries where Pliaglis is approved, we will provide commercial support and help with the launch.

Enhanced Formulation of Pliaglis®
The Company developed alternate enhanced formulations of Pliaglis with extended patent protection through 2031 in multiple jurisdictions. The alternate formulations also contain 7% lidocaine and 7% tetracaine but possess improved application and removal properties compared to the original formulation of Pliaglis.

On March 31, 2020, the USPTO granted U.S. Patent No. 10,603,293 for *Solid-Forming Anesthetic Formulations for Pain Control*, which covers both Pliaglis and enhanced formulations of Pliaglis through January 14, 2031. The new patent was listed in a publication called *Approved Drug Products with Therapeutic Equivalence Evaluations* (commonly known as the "Orange Book"), on April 14, 2020 by Taro Pharmaceuticals Inc. ("Taro"), our licensing partner in the U.S. The Orange Book identifies drug products approved on the basis of safety and effectiveness by the FDA under the Federal Food, Drug, and Cosmetic Act and related patent and exclusivity information.

On August 25, 2020, the USPTO granted U.S. Patent No. 10,751,305 for *Solid-Forming Topical Formulations for Pain Control*, which covers enhanced formulations of Pliaglis through January 14, 2031. The new patent was listed in the FDA's Orange Book by Taro on September 21, 2020.

Transdermal Delivery Technologies

Crescita has multiple drug delivery platforms supporting the development of patented formulations that deliver active ingredients into or through the skin.

Peel and DuraPeel
The Peel and DuraPeel technologies are self-occluding, film-forming cream/gel formulations that provide extended-release delivery of the active ingredients to the site of application. The cream/gel contains a drug that, when applied to a patient's skin, forms a pliable layer that releases the active ingredient into the skin for up to 12 hours. The benefits of the Peel and DuraPeel technologies include proven compatibility with a variety of active pharmaceutical ingredients ("APIs"). A self-occluding film reduces product transference risk, provides fast drying time, facilitates easy application and removal, and enables application to large and irregular skin surfaces.

While the Peel technology typically involves a single solvent that dries to form a pliable film, the DuraPeel technology involves a two-solvent system which includes: 1) a volatile solvent component that dries to form a self-occluding film and 2) a non-volatile solvent component that remains in the formulation to facilitate prolonged release of the active ingredient from the formulation into the skin.

Peel technology patents have been issued in 22 countries including the U.S., with the latest expiring in 2031. In addition, a patent application is pending in the U.S. DuraPeel patents have been issued in Australia, Canada, Japan, and in the U.S. with the latest expiry in 2027. The European patent application is pending.

MMPE
The MMPE technology uses synergistic combinations of certain specific pharmaceutical excipients included on the FDA's Inactive Ingredients Database ("IID") for improved topical delivery of active ingredients into or through the skin. The benefits of this technology include the potential for increased penetration of APIs with the possibility of improved efficacy, lower API concentration and/or reduced dosing. Issued U.S. patents provide intellectual property protection through March 6, 2027.
A European patent (validated in Germany, France, Ireland, Spain, Italy and the United Kingdom) was issued with term to 2036. In addition, applications are pending in Australia, Canada, Mexico (allowed), New Zealand, and in the U.S., with the latest expiry date in 2036.

Product Candidates in Co-Development

In April 2014, Crescita entered into a joint venture with Ferndale Laboratories Inc. and a leading U.S. contract research organization (a "CRO" and together the "Development Partners") to develop and formulate two topical dermatology product candidates (the "Product Candidates") utilizing our patented MMPE technology. Under this agreement (the "Original Joint Venture Agreement"), upon completion of the formulations, the Development Partners would oversee and fund the formulations' advancement through Phase 2 clinical studies, after which, it was anticipated that the Product Candidates would be made available for licensing. However, in 2019, we amended the Original Joint Venture Agreement, including a financial commitment from Crescita to fund our proportionate share of the Phase 3 clinical development costs for CTX-101 to maintain our anticipated share of future licensing proceeds.

CTX-101

CTX-101 is a topical formulation utilizing a corticosteroid in combination with our patented MMPE technology to treat plaque psoriasis. On February 11, 2020, we reported positive topline results from two pivotal Phase 3 clinical trials for CTX-101. The two Phase 3 multi-centre, randomized, vehicle-controlled, double-blind, parallel group trials were conducted in the U.S. using the same study design.

Both studies met the primary endpoint demonstrating that a statistically significant greater number of patients achieved the Investigator's Global Assessment ("IGAs") treatment success ($p < 0.001$) at the end of study. The IGA score is a static evaluation by the investigator of the overall assessment of the patient's disease status within the designated treatment area.

These results are based on the Intention to Treat population and study results in the Per Protocol population were also highly significant as were key secondary endpoints for both studies. Our Development Partners are completing the preparation of the New Drug Application ("NDA") for submission to the FDA. They have advanced multiple licensing discussions at varying stages. However, with the current reimbursement challenges for dermatology products in the U.S., securing a licensing partner has taken longer than expected and we have no certainty as to how current partnering discussions will evolve.

Two U.S. patents claiming certain combinations of particular molecular penetration enhancers together with active drugs in topical formulations were issued on January 1, 2013, as U.S. Patent No. 8,343,962, and May 9, 2017, as U.S. Patent No. 9,642,912. In addition, European Patent No. 3528818 with term to 2036 was issued on September 15, 2021, and validated in Germany, France, Ireland, Spain, Italy and the United Kingdom. As well, patent applications are pending in Australia, Canada, Mexico (allowed), New Zealand, and the U.S., with anticipated terms through 2036.

CTX-102

CTX-102 is a topical formulation also utilizing our patented MMPE technology to treat an undisclosed dermatological skin condition. Initial formulation development efforts for CTX-102 were completed in Q2-18, while an Investigational New Drug ("IND") application update was filed on June 25, 2018, including details on the formulations to be evaluated in the first planned Phase 1 vasoconstrictor assay ("VCA") study. The IND update was accepted by the FDA and the initial Phase 1 VCA study designed to evaluate the relative potency of several formulations was completed in Q1-19. The results of the Phase 1 VCA study were encouraging, and a successful pilot Phase 2 study was recently completed, providing encouraging feedback on the safety, user response and clinical efficacy of the lead formulation. The CTX-102 development program is currently on hold pending the outcome of the CTX-101 partnering discussions.

In addition to U.S. patent No. 8,343,962, U.S. patent No. 9,642,912 and European Patent no. 3528818 (validated in Germany, France, Ireland, Spain, Italy and the United Kingdom) which pertain to both CTX-101 and CTX-102, U.S. Patent No. 10,945,952 was granted March 16, 2021, for *Rinse-Off Compositions and Uses Thereof for Delivery of Active Agents* with term to March 16, 2040. Patent applications are also pending in Canada, Europe, Japan and the U.S. with anticipated term through 2040.

Pipeline Products

Non-Prescription Skincare Products

The non-prescription skincare business requires that the product lines be rejuvenated from time-to-time with the introduction of new product offerings and innovations, which in some cases utilize our patented transdermal delivery technologies. Crescita has established a multi-disciplinary product development committee that screens and identifies new products to be developed or existing products to be upgraded. These new products are selected based on sales and marketing trends, but also include regulatory, manufacturing and cost considerations. The products under development are usually kept confidential for competitive reasons.

Prescription Drug Products

Crescita has a portfolio of development and commercial stage products and proprietary platform technologies, which include MMPE and DuraPeel. The following table summarizes the Company's key prescription drug products and product candidates and associated intellectual property.

Product	Therapeutic Area	Stage of Development	Intellectual Property[2]
Pliaglis and enhanced formulations of Pliaglis (U.S.)	Local anesthesia prior to superficial dermatological procedures	Commercial	Three Orange Book listed U.S. patents covering Pliaglis and/or enhanced formulations expiring in 2031. Application pending in the U.S. through 2031.
Pliaglis and enhanced formulations of Pliaglis (ROW)	Local anesthesia prior to superficial dermatological procedures	Commercial	Patents granted for enhanced formulation in AU, BR, CA, CN, AT, BE, CH, DE, ES, FR, GB, GR, IT, LU, NL, PL, TR, HK, JP, MX, and RU, with latest expiring in 2031.
CTX-101[1]	Plaque Psoriasis	Phase 3	Patents granted in the U.S. expiring in 2027. Patents granted in DE, FR, IE, GB, ES and IT expiring in 2036. Applications pending in AU, CA, MX (allowed), NZ, and U.S. through 2036.
CTX-102[1]	Dermatological skin treatment	Phase 1	Patents granted in the U.S. expiring in 2027. Patent granted in DE, FR, IE, GB, ES and IT expiring in 2036. Applications pending in AU, CA, MX (allowed), NZ, and U.S. through 2036. U.S. patent for CTX-102 granted through 2040. Applications pending in CA, EP, JP and U.S. through 2040.
Dermatology products utilizing MMPE[3]	Prescription treatments of skin diseases	Pre-clinical	Patent granted in the U.S. expiring in 2027.

1. CTX-101 and CTX-102 are topical products in co-development with the Company's Development Partners which utilize our MMPE technology.
2. Country abbreviations defined as follows: Australia (AU), Brazil (BR), Canada (CA), China (CN), Austria (AT), Belgium (BE), Switzerland (CH), Germany (DE), Spain (ES), France (FR), Great Britain (GB), Greece (GR), Ireland (IE), Italy (IT), Luxembourg (LU), Netherlands (NL), Poland (PL), Turkey (TR), Hong Kong (HK), Japan (JP), Mexico (MX), Russian Federation (RU), United States (U.S.), Rest of World (ROW), Europe (EP).
3. Crescita licensed the MMPE technology to a U.S.-based, major dermatological CRO. The licensee, in this case, will oversee and fund the total cost of the development program.

Significant Partnerships

Licensing Agreement with Cantabria Labs
In April 2019, we entered into a commercialization license agreement with Cantabria Labs Inc. ("Cantabria" and the "Cantabria Agreement") for an initial term of 15 years, granting Cantabria the exclusive rights to sell and distribute Pliaglis in Italy, Portugal, France, and Spain (the "Territories").

Under the Cantabria Agreement, we are eligible to receive double-digit royalties on the net sales of Pliaglis in the Territories, with minimum guaranteed sales-based royalties per year, and milestones related to the launch and sales performance of Pliaglis in each of the Territories.

Cantabria initially completed the transfer of the manufacturing process and analytical test methods for Pliaglis to its manufacturing facility in Santander, Spain, allowing it to supply Pliaglis in Europe. In addition, the parties later agreed that Cantabria would supply the product to Crescita outside the Territories.

Cantabria is promoting Pliaglis through its field force, calling on physicians such as aesthetic doctors and dermatologists. Cantabria currently sells the product in Italy and Spain, and is evaluating the market conditions to launch Pliaglis in Portugal and France.

Licensing Agreement with Taro Pharmaceuticals Inc.
In April 2017, we entered into a development and commercialization license agreement with Taro Pharmaceuticals Inc., a subsidiary of Taro Pharmaceutical Industries Ltd. (the "Original Taro Agreement"). Under the terms of the Original Taro Agreement, Crescita granted Taro an exclusive license to sell and distribute Pliaglis and an enhanced formulation of Pliaglis in the U.S. market.

Pliaglis sales continue to be affected, in part, by certain restrictive amendments to U.S. managed care. Pliaglis and an authorized generic form of the branded "Pliaglis" are sold by third-party distributors directly to pharmacy chains. While management cannot determine the isolated impact of the restrictive amendments on product sales, it has become apparent that these, as well as the unknown impact of COVID-19 have both contributed to the decrease in Pliaglis sales in the U.S. Under the terms of the Original Taro Agreement, we are entitled to minimum annual royalties in the amount of US$1,000 per Taro fiscal year, which spans from April 1 to March 31, in periods where Taro does not reach sales targets. Taro is also entitled to terminate the agreement without penalty, subject to a six-month notice period. During the 2021 fiscal year, the Company recognized minimum annual guaranteed royalties of $2,085 (US$1,637). No royalties were recognized in Q1-22.

Taro is still committed to commercializing Pliaglis and is seeking to address its strategy for the United States. However, we have no certainty as to how Pliaglis sales will evolve.

Results of Operations

Fluctuations in Operating Results

Crescita's results of operations have fluctuated significantly from period-to-period in the past and are likely to do so in the future. Crescita anticipates that its quarterly and annual results of operations may be impacted for the foreseeable future by several factors including the timing and amount of product sales, royalties, milestone and upfront payments received pursuant to current and future collaboration and licensing arrangements, the progress and timing of expenditures related to product development efforts, and the COVID-19 pandemic. Due to these fluctuations, Crescita believes that the period-to-period comparisons of its operating results are not necessarily an adequate indicator of future performance.

Foreign Exchange Rates

Through its international operations, Crescita is exposed to changes in foreign currency rates. Accordingly, as prescribed by IFRS, we value assets, liabilities and transactions measured in foreign currencies using various exchange rates. We report all amounts in Canadian dollars, unless otherwise noted. Refer to Note 14 – *Financial Instruments and Risk Management - Currency Risk* of our Q1-22 Interim Financial Statements for a further discussion on the impact of foreign currency fluctuations on our results of operations.

Average rates	Three months ended March 31, 2022	2021
U.S. dollar	**1.2663**	1.2666
Euro	**1.4218**	1.5268

Spot rates	As at March 31, 2022	2021
U.S. dollar	**1.2496**	1.2575
Euro	**1.3853**	1.4759

Revenue by Segment

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Commercial skincare	**1,536**	1,767	(231)
Licensing and royalties	**-**	806	(806)
Manufacturing and services	**3,415**	692	2,723
Total revenue	**4,951**	3,265	1,686

For the three months ended March 31, 2022, total revenue was $4,951 compared to $3,265 in the prior year's first quarter, representing a net increase of $1,686. Please refer to segment narratives below for further details.

Commercial Skincare
Commercial Skincare sales for the three months ended March 31, 2022 were $1,536 compared to $1,767 for the three months ended March 31, 2021, representing a decrease of $231. The decrease was mainly a result of lower year-over-year sales of hand sanitizer and personal protective equipment which we had started commercializing in response to the COVID-19 pandemic.

Licensing and Royalties
For the three months ended March 31, 2022, Licensing and Royalties revenue was $nil compared to $806 for the three months ended March 31, 2021, representing a decrease of $806. During the quarter, no royalties were recognized above the previously recognized minimum guaranteed royalties under the Cantabria and Taro agreements. In Q1-21, the Company recorded minimum guaranteed royalties of $806 (US$637) in accordance with its U.S. licensing agreement with Taro.

Manufacturing and Services
Manufacturing and Services revenue for the three months ended March 31, 2022 was $3,415 compared to $692 for the three months ended March 31, 2021. The year-over-year increase of $2,723 was mainly driven by the partial fulfillment of the approximately $7,000 in additional purchase orders previously announced. The timing and value of third-party manufacturing contracts may vary from period to period depending on our clients' commercial activities and may not be recurring in nature.

Revenue Distribution

The following tables provide additional information regarding our revenue mix by geography and reportable segment for the three months ended March 31, 2022 and 2021:

By Geography *(based on client's billing address)*

Three months ended March 31,	2022	2021
Canada	**38%**	80%
U.S.	**59%**	18%
ROW	**3%**	2%
	100%	100%

By Segment

Three months ended March 31,	2022	2021
Commercial Skincare	**31%**	54%
Licensing and Royalties	**0%**	25%
Manufacturing and Services	**69%**	21%
	100%	100%

Major Customers

Under IFRS 8 – *Operating Segments*, major customers are those that account for greater than 10% of a company's consolidated revenue. For the three months ended March 31, 2022, we had one major customer in the Manufacturing segment that accounted for 55% of our total revenue, and two major customers in the Licensing and Manufacturing segments that accounted for 37% of our total revenue for the three months ended March 31, 2021.

Gross Profit by Segment

Gross profit is calculated by subtracting the cost of goods sold ("COGS") from revenue, either on a consolidated or on a by segment basis. Gross margin, as reported below and elsewhere in this MD&A, is an expression of gross profit as a percentage of revenue, either on a consolidated or by segment basis. COGS primarily includes: the costs associated with manufacturing and packaging our products, provisions for inventory obsolescence, freight-in costs, the cost of products purchased from third parties, and costs for the development of formulas under our CDMO services.

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**4,951**	3,265	1,686
Cost of goods sold	**2,239**	1,149	1,090
Gross profit	**2,712**	2,116	596
Gross margin %	***54.8%***	*64.8%*	*-10.0%*

For the three months ended March 31, 2022, gross profit was $2,712, representing a gross margin of 54.8%, compared to $2,116 and 64.8%, respectively, for the three months ended March 31, 2021. The increase in gross profit of $596 was mainly due to the increase in our Manufacturing segment revenue year-over-year, while the decrease in gross margin of 10.0% was mainly driven by the drop in full-margin licensing revenue, offset in part by the benefit of higher manufacturing volumes. Gross profit and gross margin were also

negatively impacted by a lower benefit from wage and rent subsidies under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs year-over-year.

Commercial Skincare

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**1,536**	1,767	(231)
Cost of goods sold	**618**	773	(155)
Gross profit	**918**	994	(76)
Gross margin %	***59.8%***	*56.3%*	*3.5%*

For the three months ended March 31, 2022, gross profit in the Commercial segment was $918, representing a gross margin of 59.8%, compared to $994 and 56.3% for the three months ended March 31, 2021. While gross profit remained essentially flat, the increase in gross margin of 3.5% was primarily a result of a favorable product mix, partly offset by lower segment revenue and a lower benefit from CEWS and CERS subsidies year-over-year.

Licensing and Royalties

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**-**	806	(806)
Cost of goods sold	**-**	-	-
Gross profit	**-**	806	(806)
Gross margin %	***N/A***	*100.0%*	*N/A*

For the three months ended March 31, 2022, gross profit in the Licensing segment was $nil, compared to a gross profit of $806 and a gross margin of 100.0% for the three months ended March 31, 2021. The reduction year-over-year is due to the decrease in segment revenue.

Manufacturing and Services

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**3,415**	692	2,723
Cost of goods sold	**1,621**	376	1,245
Gross profit	**1,794**	316	1,478
Gross margin %	***52.5%***	*45.7%*	*6.9%*

For the three months ended March 31, 2022, gross profit in the Manufacturing segment was $1,794, representing a gross margin of 52.5%, compared to $316 and 45.7%, respectively, for the three months ended March 31, 2021. The increase in gross profit of $1,478 and gross margin of 6.9% were primarily due to higher segment revenue and the benefit of higher manufacturing volumes, partly offset by a lower benefit from government subsidies.

The gross margins generated by our Manufacturing segment are dependent on the specific terms of each agreement and vary by customer. The timing of customer orders and the mix of customers will continue to have an impact on our margins.

Operating Expenses

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Research and development	**127**	219	(92)
Selling, general and administrative	**2,595**	1,863	732
Depreciation and amortization	**366**	331	35
Total operating expenses	**3,088**	2,413	675

For the three months ended March 31, 2022, total operating expenses were $3,088 compared to $2,413 for the three months ended March 31, 2021, representing a net increase of $675. The increase was mainly driven by higher selling, general and administrative ("SG&A") expenses of $732, largely reflecting a lower benefit from wage subsidies under the CEWS program, as well as higher headcount-related and advertising and promotion costs as we invest in our business.

Research and Development
R&D expenses are mainly composed of employee compensation costs, clinical trial costs, clinical manufacturing and scale-up costs and other third-party laboratory testing and service fees. In the normal course of business, we allocate a significant part of our R&D resources to the rejuvenation of our non-prescription skincare lines through product development and product reformulations, as well as to support business activities in our Manufacturing and Licensing segments.

Product portfolio rejuvenation and innovation activities are ongoing and are a key success factor for Crescita, allowing us to remain competitive in our product offerings. To a lesser extent, the Company also incurs formulation development and clinical costs related to our prescription product candidates such as CTX-101 and CTX-102. R&D expenditures vary depending on the stage of development of products and product candidates in Crescita's pipeline and management's allocation of Crescita's internal resources to these activities and to each product specifically.

R&D expenses for the three months ended March 31, 2022 were $127 compared to $219 for the three months ended March 31, 2021, representing a decrease of $92. The decrease was mainly driven by lower expenses pertaining to CTX-101.

Selling, General and Administrative
For the three months ended March 31, 2022, SG&A expenses were $2,595 compared to $1,863, representing an increase of $732 year-over-year. The increase was mainly reflective of wage subsidies under the CEWS program of $nil recorded in Q1-22 compared to $296 in Q1-21, higher levels of headcount-related costs, and investments in advertising and promotion spend to grow our brands.

Depreciation and Amortization
For the three months ended March 31, 2022, depreciation and amortization expense was $366 compared to $331 for the three months ended March 31, 2021. The increase of $35 is mainly due to higher depreciation expense for our right-of-use asset and property, plant and equipment year-over-year.

Other Expenses

Three months ended March 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Interest expense	**61**	48	13
Interest income	**(46)**	(60)	14
Foreign exchange loss	**71**	151	(80)
Total other expenses	**86**	139	(53)

Interest
For the three months ended March 31, 2022, interest expense was $61 compared to $48 for the three months ended March 31, 2021. The year-over-year increase of $13 was primarily due to higher interest expense related to the lease for our manufacturing and office facility.

For the three months ended March 31, 2022, interest income was $46 compared to $60 for the three months ended March 31, 2021, representing a decrease of $14 year-over-year, primarily due to lower contract asset interest accretion. The Company earns interest on its cash balances and short-term investments and records interest accretion on the contract asset recognized under the Cantabria Agreement. Refer to Note 6 – *Contract Assets* to our Q1-22 Interim Financial Statements.

Foreign Exchange Loss
For the three months ended March 31, 2022, we recorded a net foreign currency loss of $71 compared to $151 for the three months ended March 31, 2021. These currency variances are primarily driven by the timing of payments and settlements of foreign currency denominated balances, and the revaluation of certain balance sheet items including the contract asset in the amount of $1,633 related to the Cantabria Agreement denominated in euros.

Net Loss and Earnings per Share

Three months ended March 31,	2022	2021	Change
In thousands of CAD, except number of shares and per share data	**$**	$	$
Net loss	**(474)**	(436)	(38)
Weighted average number of common shares outstanding			
Basic and diluted	**20,936,672**	20,626,608	310,064
Earnings per share			
Basic and diluted	**$ (0.02)**	$ (0.02)	$ -

Net Loss
For the three months ended March 31, 2022, the Company reported a net loss of $474 compared to $436 for the three months ended March 31, 2021. The year-over-year increase in the net loss position of $38 was attributable to: 1) higher SG&A expenses of $732; 2) an increase in depreciation and net interest expense of $35 and 27, respectively; 3) the share of the loss of our associate of $12 in Q1-22 ($nil in Q1-21); partly offset by 1) the net overall increase in gross profit of $596 across all segments; 2) lower R&D expense of $92; and 3) a decrease in foreign exchange loss of $80.

Weighted Average Number of Common Shares Outstanding
In September 2021, the Company issued 470,128 Common Shares at a price of $0.70 per Common Share in connection with 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. Refer to Note 7 – *Investment in an Associate and Convertible Note* to our Q1-22 Interim Financial Statements. The basic and diluted weighted average number of common shares outstanding are also affected by the shares purchased for cancellation under the Company's NCIB. The diluted weighted average number of common shares outstanding for the periods is further impacted by the number of options and warrants that are "in the money" and the effect of convertible debentures, when such impact is dilutive.

EBITDA and Adjusted EBITDA Reconciliation

The following table provides a reconciliation between net loss, as reported in accordance with IFRS, and EBITDA and Adjusted EBITDA, for the three months ended March 31, 2022 and 2021. Refer to the section entitled *Net Loss* for details.

Three months ended March 31,	**2022**	**2021**	**Change**
In thousands of CAD	**$**	$	$
Net loss	**(474)**	(436)	(38)
Adjust for:			
Depreciation and amortization	**366**	331	35
Interest (income) expense, net	**15**	(12)	27
EBITDA	**(93)**	(117)	24
Adjust for:			
Share of loss of an associate	**12**	-	12
Share-based compensation	**76**	53	23
Foreign exchange loss	**71**	151	(80)
Adjusted EBITDA	**66**	87	(21)

Liquidity and Capital Resources

Consolidated Statement of Cash Flows

Three months ended March 31,	**2022**	**2021**	**Change**
In thousands of CAD	**$**	$	$
Net loss	**(474)**	(436)	(38)
Items not involving cash flows	**615**	530	85
Cash from operations	**141**	94	47
Net change in non-cash working capital	**518**	(290)	808
Cash provided by (used in) operating activities	**659**	(196)	855
Cash used in investing activities	**(45)**	(4)	(41)
Cash used in financing activities	**(168)**	(120)	(48)
Effect of foreign exchange rates on cash and cash equivalents	**(35)**	(17)	(18)
Net change in cash and cash equivalents during the period	**411**	(337)	748
Cash and cash equivalents beginning of the period	**11,331**	14,281	(2,950)
Cash and cash equivalents, end of the period	**11,742**	13,944	(2,202)

Operating Activities
For the three months ended March 31, 2022, cash provided by operating activities was $659 compared to cash used in operating activities of $196 for the three months ended March 31, 2021. The year-over-year increase of $855 was mainly driven by the favorable movement in non-cash working capital items of $808.

The net change in non-cash working capital of $518 for the three months ended March 31, 2022 was mainly driven by higher accounts payable, partly offset by an increase in inventories. The net change in non-cash working capital of $(290) for the three months ended March 31, 2021 was mainly driven by an increase in accounts receivable, partly offset by higher accounts payable. The timing of working capital inflows and outflows will always have an impact on the cash flow from operating activities.

Investing Activities
For the three months ended March 31, 2022, the Company invested $45 compared to $4 invested for the three months ended March 31, 2021. These amounts pertain primarily to plant equipment and facility upgrades.

Financing Activities
For the three months ended March 31, 2022, cash used in financing activities totaled $168 compared to $120 for three months ended March 31, 2021, representing a year-over-year increase of $48. During the quarter, the Company paid: 1) $91 in principal under its lease for its manufacturing and office facility, compared to $96 in Q1-21; and 2) $77 for the purchase for cancellation of 111,430 Common Shares, compared to $24 for the purchase for cancellation of 35,608 Common Shares in the prior year's quarter.

Financial Instruments and Risk Management

Please refer to Note 14 – *Financial Instruments and Risk Management* to our Q1-22 Interim Financial Statements for additional information on our financial instruments.

Commitments

We have commitments under a lease for the rental of our manufacturing and office facility. This lease is accounted for entirely on the Consolidated Interim Statement of Financial Position under IFRS 16 – *Leases*. There have been no material changes to these commitments since our year ended December 31, 2021. Refer to Note 3 – *Summary of Significant Accounting Policies* and Note 15 – *Lease Obligation* to our Consolidated Audited Financial Statements for the years ended December 31, 2021 and 2020 for further details.

Off-Balance Sheet Arrangements

Crescita does not have any off-balance sheet arrangements.

Guarantees

The Company periodically enters into research, licensing, distribution, or supply agreements with third parties that include indemnification provisions that are 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 third-party intellectual property claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions generally survive termination of the underlying agreements. The nature of the intellectual property 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 amounts were accrued in the results presented for the three months ended March 31, 2022.

Capability to Deliver Results

The Company will need to spend resources to research, develop, manufacture and commercialize its products and technologies. Crescita may finance these activities through existing cash, revenue generated from product sales to its customers, royalty, upfront and milestone payments, licensing and co-development agreements for other new drug candidates or of its existing products in territories where they are not currently licensed or sold, by drawing on its Facility, by raising funds in the capital markets or by incurring debt.

Despite the COVID-19 impact outlined earlier in this MD&A, we believe that we have sufficient capital resources from our cash and investment accounts and revolving credit facility to support our ongoing business operations and to execute our Four-Pillar Growth Strategy.

Crescita is dependent on its sales force for the marketing and sale of its products to its Canadian customers. In certain foreign jurisdictions, Crescita relies on its commercial partners to market and sell its products. Management believes that it has appropriate in-house personnel with the experience and expertise to market and sell its existing products and to develop its pipeline. To execute the current business plan, Crescita may selectively add key personnel and in the future, may need to hire additional staff as activities expand. In addition, market acceptance of the Company's products by consumers, physicians or patients will depend on distribution channels accepting the product for sale.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 3 – *Summary of Significant Accounting Policies* of its 2021 Consolidated Audited Financial Statements. The preparation of 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 the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting periods.

Management has identified key areas of judgments, estimations or use of managerial assumptions that it believes are most critical to understanding the consolidated financial statements. These accounting estimates are considered critical because they require management to make subjective and/or complex judgments that are inherently uncertain and because they could have a material impact on the presentation of our consolidated 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 2021 Consolidated Audited Financial Statements.

There were no changes to our critical accounting estimates and judgements since our year ended December 31, 2021. Refer to the "Critical Accounting Policies and Estimates" section within our 2021 Annual Report for a full discussion of the applicable critical accounting judgments and estimates of the Company, a copy of which is available on SEDAR at www.sedar.com.

Eight Quarter Summary - Selected Financial Information

As at and for the three months ended,	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020
In thousands of CAD except per share data and number of shares	**$**	$	$	$	$	$	$	$
Revenue by Segment								
Commercial Skincare	**1,536**	2,270	1,563	1,869	1,767	2,079	1,782	1,304
Licensing and Royalties[1]	**-**	2,367	319	475	806	359	4,999	413
Manufacturing and Services	**3,415**	2,925	1,111	605	692	353	520	16
Revenue	**4,951**	7,562	2,993	2,949	3,265	2,791	7,301	1,733
Profitability								
Gross profit	**2,712**	4,651	1,525	1,722	2,116	1,588	6,129	1,092
Total operating expenses	**3,088**	3,536	2,385	2,399	2,413	2,316	2,259	2,318
Net income (loss)	**(474)**	943	(900)	(712)	(436)	(592)	4,208	(3,085)
Adjusted EBITDA[2]	**66**	1,585	(471)	(269)	87	(446)	4,316	(781)
Share information								
Earnings per share								
Basic	**$ (0.02)**	$ 0.04	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.03)	$ 0.20	$ (0.15)
Diluted	**$ (0.02)**	$ 0.04	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.03)	$ 0.19	$ (0.15)
Weighted average number of common shares outstanding								
Basic	**20,937**	21,016	20,761	20,613	20,627	20,648	20,648	20,648
Diluted	**20,937**	22,295	20,761	20,613	20,627	20,648	21,796	20,648
Financial Position								
Cash and cash equivalents	**11,742**	11,331	12,236	13,083	13,944	14,281	13,856	9,265
Total assets	**29,415**	28,923	28,023	27,740	28,696	26,831	27,791	23,472
Total non-current financial liabilities[3]	**1,583**	1,672	1,796	1,879	2,900	1,080	1,123	1,196

[1] Revenue for Q3-20 included $4,483 received as part of an amendment in July 2020 to the Company's licensing agreement with Taro.

[2] Adjusted EBITDA is a non-IFRS measure. Refer to the *Non-IFRS and Key Financial Measures*, and the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A.

[3] Non-current financial liabilities are defined as the sum of the long-term portions of convertible debentures, other obligations, and lease obligations. On March 15, 2021, the Company amended the lease for its manufacturing and office facility resulting in an adjustment of $1,944 to the lease obligation. Starting June 30, 2021, convertible debentures ($988 at March 31, 2022) were presented as part of current liabilities given a maturity date of June 30, 2022.

Management's Responsibility for Financial Reporting

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures ("DCP") are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized, and reported in a timely manner. The system of DCP includes, among other things, the Company's Corporate Disclosure and Code of Conduct and Business Ethics policies, the review and approval procedures of the Corporate Disclosure Committee and continuous review and monitoring procedures by senior management.

Management, under the supervision of the CEO and the CFO, have designed, or caused to be designed, internal controls over financial reporting ("ICFR") in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Due to their inherent limitations, DCP and ICFR may not prevent or detect all misstatements, errors, and fraud. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, even effective DCP and ICFR can only provide reasonable, not absolute, assurance of achieving the control objectives for financial and other reporting.

The Company evaluated the effectiveness of its DCP and ICFR, supervised by and with the participation of the CEO and the CFO as of March 31, 2022. The CEO and the CFO concluded that, based on this evaluation, the Company's disclosure controls and procedures and internal controls over financial reporting were adequate and effective, at a reasonable level of assurance.

Risk Factors

An investor should carefully consider the risks discussed in detail in the Company's most recent annual MD&A and AIF dated March 22, 2022 when deciding whether to make an investment in the securities of Crescita, together with all other information contained in this MD&A and the Company's other continuous disclosure documents. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. Upon the occurrence of any one or more of the disclosed risks, the Company's business, financial condition, results of operations and consequently, the price of its Common Shares, could be seriously affected.

Litigation

From time-to-time, during the ordinary course of business, Crescita may be threatened with, or named as, a defendant in various legal proceedings including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damage claims. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a material adverse effect on the Company's financial position, results of operations or the ability to carry on any of its business activities.

Additional Information

Additional information relating to the Company, including our most recently filed AIF, can be found on the Company's profile on SEDAR at www.sedar.com.

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)

(In thousands of Canadian dollars)	***Notes***	**As at March 31, 2022 $**	As at December 31, 2021 $
Assets			
Current			
Cash and cash equivalents		**11,742**	11,331
Accounts receivable	*14*	**3,477**	2,107
Inventories	*5*	**4,955**	4,392
Other current assets	*14*	**640**	767
Current portion of contract assets	*6, 14*	**56**	1,495
Total current assets		**20,870**	20,092
Non-current			
Contract assets	*6, 14*	**1,576**	1,664
Property, plant and equipment		**883**	766
Right-of-use asset		**1,715**	1,810
Intangible assets		**3,522**	3,740
Investment in an associate	*7*	**326**	338
Convertible note	*7*	**523**	513
Total assets		**29,415**	28,923
Liabilities			
Current			
Accounts payable and accrued liabilities	*14*	**6,399**	5,332
Convertible debentures		**988**	976
Current portion of lease obligation		**371**	367
Current portion of other obligations		**50**	50
Total current liabilities		**7,808**	6,725
Non-current			
Lease obligation		**1,430**	1,525
Other obligations		**153**	147
Total liabilities		**9,391**	8,397
Equity			
Capital Stock	*9*	**57,768**	58,084
Contributed surplus		**3,053**	2,769
Accumulated other comprehensive income (AOCI)		**1,152**	1,148
Deficit		**(41,949)**	(41,475)
Total equity		**20,024**	20,526
Total liabilities and equity		**29,415**	28,923

See accompanying Notes.

Crescita Therapeutics Inc.
Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited)

Three months ended March 31		**2022**	2021
(In thousands of Canadian dollars, except per share data and number of shares)	***Notes***	**$**	$
Revenues	*10*	**4,951**	3,265
Operating expenses			
Cost of goods sold	*5, 12*	**2,239**	1,149
Research and development	*12*	**127**	219
Selling, general and administrative	*12*	**2,595**	1,863
Depreciation and amortization	*12*	**366**	331
Operating loss		**(376)**	(297)
Interest expense		**61**	48
Interest income		**(46)**	(60)
Foreign exchange loss		**71**	151
Total other expenses		**86**	139
Share of loss of an associate	*7*	**(12)**	-
Net loss		**(474)**	(436)
Other comprehensive income to be reclassified to net income (loss) in subsequent periods			
Unrealized gain on translation of foreign operations (net of income taxes)		**4**	5
Total comprehensive loss		**(470)**	(431)
Earnings per share			
- Basic and diluted		**$ (0.02)**	$ (0.02)
Weighted average number of common shares outstanding			
- Basic and diluted		**20,936,672**	20,626,608

See accompanying Notes.

Crescita Therapeutics Inc.
Consolidated Interim Statements of Changes in Equity
(Unaudited)

	Common Shares		Contributed Surplus	Deficit	AOCI	Total
(In thousands of Canadian dollars, except for number of shares)	**000's**	**$**	**$**	**$**	**$**	**$**
Notes	*7, 9*	*7, 9*	*9, 11*			
Balance, December 31, 2020	20,648,448	58,184	2,273	(40,370)	1,046	21,133
Net loss	-	-	-	(436)	-	(436)
Class A shares repurchased and cancelled	(30,608)	(86)	65	-	-	(21)
Class A shares repurchased but not cancelled	-	(14)	11	-	-	(3)
Share-based compensation expense	-	-	45	-	-	45
Unrealized gain on translation of foreign operations (tax effect of $nil)	-	-	-	-	5	5
Balance, March 31, 2021	20,617,840	58,084	2,394	(40,806)	1,051	20,723
Net loss	-	-	-	(669)	-	(669)
Class A shares issued	470,128	330	-	-	-	330
Class A shares repurchased and cancelled	(105,216)	(296)	227	-	-	(69)
Class A shares repurchased but not cancelled	-	(34)	26	-	-	(8)
Share-based compensation expense	-	-	122	-	-	122
Unrealized gain on translation of foreign operations (net of income tax recovery of $96)	-	-	-	-	97	97
Balance, December 31, 2021	20,982,752	58,084	2,769	(41,475)	1,148	20,526
Net loss	-	-	-	(474)	-	(474)
Class A shares cancelled	(17,080)	-	-	-	-	-
Class A shares repurchased and cancelled	(62,200)	(172)	130	-	-	(42)
Class A shares repurchased but not cancelled	-	(144)	109	-	-	(35)
Share-based compensation expense	-	-	45	-	-	45
Unrealized gain on translation of foreign operations (tax effect of $nil)	-	-	-	-	4	4
Balance, March 31, 2022	**20,903,472**	**57,768**	**3,053**	**(41,949)**	**1,152**	**20,024**

See accompanying Notes.

Crescita Therapeutics Inc.
Consolidated Interim Statements of Cash Flows
(Unaudited)

Three months ended March 31		**2022**	2021
(In thousands of Canadian dollars)	***Notes***	**$**	$
Operating Activities			
Net loss		**(474)**	(436)
Adjustments for:			
Depreciation and amortization	*12*	**366**	331
Share-based compensation	*11*	**76**	53
Inventory write-down	*5*	**60**	60
Interest accretion		**2**	(55)
Share of loss of an associate	*7*	**12**	-
Other		**99**	141
		141	94
Net change in non-cash working capital	*13*	**518**	(290)
Cash provided by (used in) operating activities		**659**	(196)
Investing Activities			
Acquisition of property, plant and equipment		**(45)**	(4)
Cash used in investing activities		**(45)**	(4)
Financing Activities			
Payment of principal portion of lease obligation		**(91)**	(96)
Repurchase of Class A shares	*9*	**(77)**	(24)
Cash used in financing activities		**(168)**	(120)
Effect of exchange rate changes on cash		**(35)**	(17)
Net change in cash and cash equivalents during the period		**411**	(337)
Cash and cash equivalents, beginning of period		**11,331**	14,281
Cash and cash equivalents, end of period		**11,742**	13,944
Supplemental Cash Flow Information			
Interest paid [(i)]		**20**	7
Interest received [(i)]		**5**	8

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

See accompanying Notes.

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 to facilitate 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 years ended December 31, 2021 and 2020 ("2021 Annual Financial Statements"), 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 months ended March 31, 2022 and 2021 were authorized for issue by the Board of Directors on May 10, 2022.

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. Refer to Note 14 – *Financial Instruments and Risk Management*. 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 Company's 2021 Annual Financial Statements.

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, estimates 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 consolidated 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 2021 Annual Financial Statements.

4. Segmented Information

The Company has three reportable segments based on its current management structure: (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 the Canadian and international markets. It also commercializes Pliaglis®, NCTF® Boost 135 HA, and the Obagi Medical® product line in Canada. Non-prescription product brands 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, medispas as well as medical aesthetic clinics using a business to business model, while some of its brands are also sold directly to consumers through its online platforms. International markets include the United States ("U.S."), South Korea and Malaysia, where some of the Company's brands are sold by distribution partners, including through e-commerce.

Licensing and Royalties
The Licensing and Royalties ("Licensing") reportable segment derives revenue from licensing the intellectual property related to Pliaglis, the Company's lead prescription product, or for the use of its transdermal delivery technologies, Multiplexed Molecular Penetration Enhancers™ ("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 pre- and post-commercialization milestone payments, royalties determined using the agreed-upon formulas as described in each respective licensing agreement, and product sales under supply agreements with the Company's licensing partners.

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 the Company's share of profit or loss of its associate, and all the operating expenses, financing costs and corporate income tax expenses incurred 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 March 31, 2022	**$**	**$**	**$**	**$**	**$**
Revenue	**1,536**	**-**	**3,415**	**-**	**4,951**
Cost of goods sold	**618**	**-**	**1,621**	**-**	**2,239**
	918	**-**	**1,794**	**-**	**2,712**
Research and development	**-**	**-**	**-**	**127**	**127**
Selling, general and administrative	**-**	**-**	**-**	**2,595**	**2,595**
Depreciation and amortization	**-**	**-**	**-**	**366**	**366**
Other expenses, net	**-**	**-**	**-**	**86**	**86**
Total expenses	**-**	**-**	**-**	**3,174**	**3,174**
Share of loss of an associate (Note 7)	**-**	**-**	**-**	**(12)**	**(12)**
	918	**-**	**1,794**	**(3,186)**	**(474)**

	Commercial Skincare	Licensing & Royalties	Manufacturing and Services	Corporate and Other	Total
Three months ended March 31, 2021	$	$	$	$	$
Revenue	1,767	806	692	-	3,265
Cost of goods sold	773	-	376	-	1,149
	994	806	316	-	2,116
Research and development	-	-	-	219	219
Selling, general and administrative	-	-	-	1,863	1,863
Depreciation and amortization	-	-	-	331	331
Other expenses, net	-	-	-	139	139
Total expenses	-	-	-	2,552	2,552
	994	806	316	(2,552)	(436)

5. Inventories

Inventories consisted of the following as at:

	March 31, 2022	December 31, 2021
	$	$
Raw materials	**2,406**	2,611
Work-in-process	**717**	594
Finished goods	**1,832**	1,187
	4,955	4,392

During the three months ended March 31, 2022, inventories in the amount of $2,179 were recognized in cost of goods sold ($1,089 for the three months ended March 31, 2021).

During the three months ended March 31, 2022, $60 of finished goods were written down ($60 for the three months ended March 31, 2021).

There were no reversals of prior write-downs during the three months ended March 31, 2022 ($nil for the three months ended March 31, 2021).

6. 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, 2021	3,159
Amounts billed to customers and transferred to accounts receivable	(1,491)
Interest accretion	30
Foreign exchange movement	(66)
Balance, March 31, 2022	**1,632**
Less: current portion	56
Long-term balance	**1,576**

7. Investment in an Associate and Convertible Note

On September 7, 2021, the Company announced 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 total consideration of $330. The Company determined that it has significant influence over The Best You 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 a secured convertible promissory note (the "Convertible Note") from The Best You 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 up to 12% 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 after 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 on September 2, 2026 and qualifies as a financial asset to be measured at fair value through profit or loss. The fair value of the Convertible Note is remeasured at each reporting period using the discounted cash flow method. Management's best estimate of the annual level of products sold to The Best You is used in determining the interest component of future cash flows. The discount rate is adjusted at each reporting period based on changes in relevant credit spreads and changes in risk free rates. The discount rate used for valuation at March 31, 2022 was 12.8%. A 50-basis point increase (decrease) in the discount rate would have resulted in a $8 decrease (increase) in the fair value of the Convertible Note at quarter end.

8. 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 in 2021 from $3,500 to $6,000 until April 30, 2022 ($3,500 thereafter). 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 $3,943 at March 31, 2022 ($2,924 at December 31, 2021). The Facility bears interest at the Bank's prime rate (2.70% as at March 31, 2022) plus 0.25% and does not have any financial covenants. No amounts had been drawn from the Facility as at March 31, 2022.

9. 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 of Shares	$
Balance, December 31, 2020	20,648,448	58,184
Shares issued (Note 7)	470,128	330
Shares repurchased and cancelled	(135,824)	(382)
Shares repurchased but not cancelled	-	(48)
Balance, December 31, 2021	20,982,752	58,084
Shares cancelled	(17,080)	-
Shares repurchased and cancelled	(62,200)	(172)
Shares repurchased but not cancelled	-	(144)
Balance, March 31, 2022	**20,903,472**	**57,768**

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, commencing on November 30, 2020 and ending no later than November 29, 2021. On December 15, 2021, the TSX approved the Company's renewal of the NCIB for the purchase of up to 1,000,000 Common Shares for cancellation starting December 17, 2021 and ending December 16, 2022. In connection with the NCIB and its renewal, the Company adopted an automatic securities purchase plan ("ASPP") 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. Such purchases are executed by the broker on parameters established by the Company prior to the preestablished ASPP period. 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.

During the three months ended March 31, 2022, 120,400 Common Shares were repurchased for cancellation under the renewed NCIB, of which 114,130 Common Shares with a carrying value of $316 were paid for at March 31, 2022 with the remaining 6,270 Common Shares being paid for in April 2022. The 114,130 Common Shares were repurchased for cash consideration of $77, and the excess of the carrying value over the purchase price in the amount of $239 was recorded to Contributed Surplus. Of the 114,130 Common Shares paid for at March 31, 2022, 51,930 Common Shares with a carrying value of $144 and a purchase value of $35 were held by the Company and cancelled subsequent to quarter end.

10. Revenues

The following table presents external revenues disaggregated by reportable segment, revenue source and geographic area (based on the customer's billing address) for the three months ended March 31, 2022 and 2021:

	For the three months ended March 31,							
	Canada		**U.S.**		**Rest-of-World**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$
Commercial Skincare								
Product Sales	**1,456**	1,686	**7**	14	**73**	67	**1,536**	1,767
Licensing and Royalties								
Licensing Revenue	**-**	806	**-**	-	**-**	-	**-**	806
Manufacturing and Services								
Product Sales	**409**	127	**2,938**	565	**68**	-	**3,415**	692
	1,865	2,619	**2,945**	579	**141**	67	**4,951**	3,265

Major Customers

Under IFRS 8, major customers are those that account for greater than 10% of the Company's consolidated revenues. For the three months ended March 31, 2022, the Company had one major customer reported in the Manufacturing segment that accounted for 55% of the Company's total revenue (two major customers reported in the Licensing and Manufacturing segments that accounted for 37% of revenues for the three months ended March 31, 2021).

11. Share-Based Compensation and Other Share-Based Payments

Share Option Plan

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

	Number of Options	**Range of Exercise Price**	**Weighted Average Exercise Price**
	000's	**$**	**$**
Balance, December 31, 2021	2,821	0.43 – 1.65	0.80
Granted	276	0.65	0.65
Expired	(98)	1.42	1.42
Balance, March 31, 2022	**2,999**	**0.43 – 1.65**	**0.77**

The following table summarizes the outstanding and exercisable Crescita options held by directors, officers, employees and consultants as at March 31, 2022:

	Outstanding			Exercisable	
Exercise Price Range	Number of Options	Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
$	000's	years	$	000's	$
0.43 - 0.58	912	6.20	0.48	707	0.48
0.60 - 0.81	1,573	7.14	0.66	810	0.67
1.63 - 1.65	514	4.14	1.63	514	1.63
	2,999	**6.34**	**0.77**	**2,031**	**0.85**

Share Appreciation Rights ("SARs") Plan

The following is a schedule of Crescita's SARs outstanding and the related accrual:

	Number of SARs	Range of Grant Price	Weighted Average Grant Price	Range of Fair Value	Accrual
	000's	$	$	$	$
Balance, December 31, 2021	263	0.70	0.70	0.22	20
Granted	276	0.65	0.65	0.28	6
Adjustment to market value	-	-	-	-	9
Balance, March 31, 2022	**539**	**0.65 – 0.70**	**0.67**	**0.27 – 0.36**	**35**

Deferred Share Unit ("DSU") Plan

The following is a schedule of Crescita's DSUs outstanding and the related accrual:

	Number of DSUs	Fair Value	Accrual
	000's	$	$
Balance, December 31, 2021	131	0.65	85
Adjustment to market value	-	-	16
Balance, March 31, 2022	**131**	**0.77**	**101**

Summary of Share-based Compensation

Share-based compensation expense is as follows:

Three months ended March 31	2022	2021
	$	$
Share Option Plan	45	45
SARs Plan	15	8
DSU Plan	16	-
Share-based compensation expense	**76**	53
Recorded in the consolidated interim statements of loss and comprehensive loss as follows:		
Selling, general and administrative expenses	76	53
Share-based compensation expense	**76**	53

12. Expenses by Nature

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

(a) Employee costs:

Three months ended March 31	2022	2021
	$	$
Short-term employee wages, bonuses and benefits[(i)]	**2,181**	1,160
Share-based payments[(ii)] (Note 11)	**57**	45
Total employee costs	**2,238**	1,205
Included in:		
Cost of goods sold	**650**	135
Research and development expenses (R&D)	**115**	177
Selling, general and administrative expenses (SG&A)	**1,473**	893
Total employee costs	**2,238**	1,205

(i) In 2021, the Company determined that it qualified for the Canada Emergency Wage subsidy program ("CEWS" or the "Program") under the COVID-19 Economic Response Plan in Canada. Under the Program, Crescita was entitled to wage subsidies because its revenue decreased beyond a government-determined threshold due to the COVID-19 pandemic. The subsidies were recorded as a reduction of the related wages and salaries. No amounts were recognized under the program during the three months ended March 31, 2022. During the three months ended March 31, 2021, the Company recognized $417 under the Program. Of this amount, $121 was recorded against inventory, while the remaining balance of $296 was recorded against SG&A wages.

(ii) Excludes share-based payments to directors.

(b) Depreciation and amortization:

Three months ended March 31	2022	2021
	$	$
Cost of goods sold	**128**	97
Selling, general and administrative expenses[(iii)]	**238**	234
Total depreciation and amortization	**366**	331

(iii) Includes $218 of amortization of intangible assets and $20 of depreciation of tangible assets for the three months ended March 31, 2022 ($219 and $15 respectively for the three months ended March 31, 2021).

13. Net Change in Non-Cash Working Capital

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

Three months ended March 31	2022	2021
	$	$
Accounts receivable	**(1,365)**	(874)
Inventories	**(623)**	(135)
Other current assets	**127**	210
Contract assets	**1,491**	105
Accounts payable and accrued liabilities	**888**	404
Net change in non-cash working capital	**518**	(290)

14. 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:

	March 31, 2022			December 31, 2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring fair value measurements						
Convertible note – The Best You (Note 7)	**-**	**-**	**523**	-	-	513

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 months ended March 31, 2022 and 2021.

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 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 7 – *Investment in an 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.

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 will have an impact on liquidity risk including 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 be 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 in which the Company operates. In addition, the Company is exposed to credit-related losses on sales to its customers outside North America, including its contract asset related to its licensing agreement with Cantabria Labs Inc. (the "Cantabria Agreement"), due to potentially higher risks of enforceability and collectability.

As at March 31, 2022, 2% of accounts receivables related to customers outside North America and the European Union (December 31, 2021 - 5%).

The contract asset in the amount of $1,632 at March 31, 2022 ($3,159 at December 31, 2021) is related to the Cantabria Agreement and is denominated in euros. Refer to Note 6 – *Contract Assets and Currency Risk* below.

As at March 31, 2022, the Company had two customers that accounted for approximately 82% of the total accounts receivable (two customers that accounted for approximately 66% as at December 31, 2021).

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

	March 31, 2022	December 31, 2021
	$	$
Current	**3,241**	1,271
0-30 days past due	**266**	706
31-60 days past due	**3**	116
61-90 days past due	**6**	23
Over 90 days past due	**24**	70
	3,540	2,186
Allowance for doubtful accounts	**(63)**	(79)
	3,477	2,107

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 March 31, 2022.

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 as at:

	Euros		U.S. Dollars	
	March 31, 2022	December 31, 2021	**March 31, 2022**	December 31, 2021
	€	€	**$**	$
Cash and cash equivalents	**102**	728	**1,476**	864
Accounts receivable	**138**	99	**2,257**	1,136
Other current assets	**2**	3	**-**	-
Contract assets	**1,179**	1,306	**-**	1,000
Accounts payable and accrued liabilities	**(114)**	(136)	**(1,768)**	(2,008)
	1,307	2,000	**1,965**	992

Based on the aforementioned net exposure as at March 31, 2022, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $246 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $181 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.