First Quarter 2023 Interim Report

Management's Discussion and Analysis

May 10, 2023

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, 2023 and 2022 (the "Q1-23 Interim Financial Statements", "Q1-23", and "Q1-22", respectively) 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 and statements". Refer to *Forward-looking Information and 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

Q1-23 vs. Q1-22
• Revenue was $4,602 compared to $4,951, a decrease of $349;
• Gross profit was $2,736 compared to $2,712, an increase of $24;
• Operating expenses were $2,972 compared to $3,088, a decrease of $116;
• Adjusted EBITDA[1] was $161 compared to $66, an increase of $95;
• Ending cash was $10,275, an increase of $2,037 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, 2023 and up to the date of this MD&A:

Relaunch of Alyria® as a Direct-to-Consumer Brand
In Q1-23, following a complete rebranding and various product reformulations, we relaunched Alyria® as a direct-to-consumer medical-grade dermocosmetic brand in the Canadian skincare market. Alyria is primarily targeted at millennials and marketed and sold exclusively online in Canada through Amazon.ca and alyriaskincare.com. The relaunch of Alyria strengthens our ecommerce channel expansion and provides the opportunity to engage with a new consumer group.

Launch of ART FILLER®
In Q1-23, we launched the ART FILLER injectables (the "Fillers") in the Canadian medical aesthetic market through our new dedicated sales force. The ART FILLER collection is an exclusive range of hyaluronic acid-based ("HA") dermal fillers, designed to smooth and fill in wrinkles, and create/restore the volumes and contours of the face. Crescita entered into an exclusive Canadian distribution and promotion agreement for the Fillers and NCTF® Boost 135 HA ("NCTF") with Laboratoires FILLMED ("FILLMED") in 2020.

Forward-looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. All information in this MD&A, other than statements of current and historical fact, represents forward-looking information and is qualified by this cautionary note. Often, but not always, forward-looking information can be identified by words such as: "anticipate", "intend", "plan", "goal", "seek", "believe", "aim", "project", "estimate", "expect", "strategy", "future", "likely", "may", "should", "will" and similar references to future periods. Examples of forward-looking information include, but are not limited to, statements made in this MD&A under the headings "Key Business Developments", "Outlook and Liquidity Update" and "Vision and Growth Strategy", including statements regarding the Company's objectives, plans, goals, strategies, growth, performance, operating results, financial condition, business prospects, opportunities and industry trends, and similar statements concerning anticipated future events, results, circumstances, performance or expectations.

Forward-looking information is neither historical fact nor an assurance of future performance. Instead, it is 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 information relates to the future, it is 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 forward-looking information. Therefore, readers should not unduly rely on any forward-looking information. Important factors that could cause Crescita's actual results and financial condition to differ materially from those indicated in forward-looking information include, among others:

- *economic and market conditions including the uncertainty in the global economy created by the war in Ukraine;*
- *the impact of inflation and rising interest rates together with the threats of stagflation or recession;*
- *the Company's ability to execute its growth strategies;*
- *the degree or lack of market acceptance of the Company's products;*
- *reliance on third parties for marketing, distribution, commercialization and clinical trials;*
- *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 contractual obligations;*
- *the impact of 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 impact of the COVID-19 pandemic and the response thereto of governments and consumers;*
- *developments and changes in applicable laws and regulations, and;*
- *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.*

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 information will actually be achieved. Any forward-looking information in this MD&A is based only on information currently available to management and speaks only as of the date on which it is provided. Except as required by applicable securities laws, Crescita undertakes no obligation to publicly update any forward-looking information, whether written or oral, that may be provided 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 of property, plant and equipment and amortization of right-of-use asset and intangible assets. 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 of property, plant and equipment and amortization of right-of-use asset and intangible assets, share of (profit) loss of associates, fair value (gains) losses, 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* section 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 ("Skincare") reportable segment manufactures and sells branded non-prescription skincare products for the Canadian and international markets. It also commercializes Pliaglis®, NCTF, ART FILLER, and Obagi Medical® 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. Some of our brands are also sold directly to consumers through our online platforms. Our brands are also distributed by partners in international markets including the United States ("U.S."), South Korea and Malaysia.

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, which may combine our technologies and various selected molecules 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* to our Q1-23 Interim Financial Statements.

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 licensing deals and acquisitions as part of our growth strategy, and to meet contractual obligations as they become due. As of March 31, 2023, Crescita had working capital (defined as current assets minus current liabilities) of $14,646, including a cash balance of $10,275. Our cash and other current assets at March 31, 2023 were sufficient to meet our current accounts payable, accrued liabilities, lease and other obligations. In addition, we have a revolving demand credit facility (the "Facility") for an authorized amount, subject to margin requirements, of $3,500 as at the date hereof. Based on our accounts receivables and inventory values at quarter end, the total amount available under the Facility was the maximum of $3,500. 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 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. The evolution of the COVID-19 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

The Company's Normal Course Issuer Bid ("NCIB"), enabling it to purchase up to 1,000,000 Common Shares for cancellation on the Toronto Stock Exchange from December 17, 2021 to December 16, 2022, expired and was not renewed.

In connection with its NCIB, the Company had adopted an automatic securities purchase plan ("ASPP") that contained 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 were executed by the broker on parameters established by the Company prior to the pre-established ASPP period.

For the three months ended March 31,	**2023**	**2022**
In 000's of CAD, except number of shares and average price	**$**	$
Common Shares repurchased for cancellation	**-**	120,400
Weight average purchase price per share	**-**	0.68
Total purchase price	**-**	82

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, 2023
Common shares	20,334,153
Stock options[1]	2,967,464
Warrants	496,000

[1] This amount includes 2,451,214 options which have vested.

Selected Quarterly Financial Information

	Three months ended March 31,		
In thousands of CAD, except per share data and number of shares	2023	2022	Change
Operations	**$**	**$**	$
Revenues	**4,602**	4,951	(349)
Cost of goods sold	**1,866**	2,239	(373)
Gross profit	**2,736**	2,712	24
Gross margin (%)	***59.5%***	*54.8%*	*4.7%*
Operating expenses	**2,972**	3,088	(116)
Operating loss	**(236)**	(376)	140
Interest (income) expense, net	**(98)**	15	(113)
Foreign exchange (gain) loss	**(36)**	71	(107)
Share of (profit) loss of an associate	**(8)**	12	(20)
Net loss on convertible note measured at fair value through profit or loss	**13**	-	13
Loss before income taxes	**(107)**	(474)	367
Deferred income tax expense	**166**	-	166
Net loss	**(273)**	(474)	201
Adjusted EBITDA[1]	**161**	66	95
Loss per share			
Basic and diluted	**$ (0.01)**	$ (0.02)	$ 0.01
Weighted average number of common shares outstanding			
Basic and diluted	**20,334,153**	20,936,672	(602,519)
Balance Sheet as at March 31,			
Cash and cash equivalents	**10,275**	11,742	(1,467)
Total assets	**27,841**	29,415	(1,574)
Total non-current financial liabilities[2]	**1,233**	1,583	(350)
Total liabilities	**6,992**	9,391	(2,399)
Total equity	**20,849**	20,024	825

[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.

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, skincare therapeutics and devices. 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 primary aesthetic skin concerns.

Our product portfolio serves two subsets of the Canadian aesthetic market: (i) aesthetic skincare and (ii) medical aesthetics.

(i) Professional aestheticians use our dermocosmetic skincare products to target well-known and common skin concerns, such as mild acne, aging, dehydration, pigmentation, sensitivity, and rosacea, using non-invasive skincare protocols. Our lead dermocosmetic 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 and neurotoxin injections, and various laser and device treatments. Our primary medical grade dermocosmetic brand is Pro-Derm. We also distribute NCTF, ART FILLER and Obagi Medical under exclusive distribution agreements in Canada. We also currently sell Pliaglis, our lead prescription product, in the Canadian physician-dispensed skincare market.

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 by regulatory authorities in 26 countries and licensed to eight commercial partners for sale in 40 countries.

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 manufacturing 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 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 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

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, 2022. For further details, please refer to the section entitled "Vision and Growth Strategy" on page 13 of Crescita's 2022 Annual Report, which is available on our website at www.crescitatherapeutics.com and which was filed on SEDAR at www.sedar.com.

Competitive Conditions

There have been no changes to the Company's competitive conditions since our last fiscal year ended December 31, 2022. For further details please refer to the section entitled "Competitive Conditions" on page 16 of Crescita's 2022 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 Canadian cosmetics industry. The product line was founded in France in 1947 by Dr. Louis Raymond Renaud, a well-known French dermatologist and was 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 synergy of science and aesthetics. Products are designed according to the principles of biomimicry which imitate natural processes, making them 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 online.

Pro-Derm
Pro-Derm is a line of high-quality dermocosmetic products destined for the medical aesthetic market including 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 online.

Alyria
Alyria is a medical grade dermocosmetic skincare line developed using scientific research to target major skincare concerns. Previously a B2B brand mainly sold to medispas and medical aesthetic clinics, Alyria was rebranded, reformulated and re-launched as a direct-to-consumer brand in the Canadian skincare market in Q1-23. Alyria's offering was built around a series of serums formulated with clinically proven active ingredients, specifically targeting skin hydration. Alyria is primarily targeted at millennials and marketed and sold exclusively online in Canada. All Alyria products are manufactured at our Laval manufacturing facility. 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 free 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 age groups, it specifically targets age-related skin changes such as dryness, dullness, uneven complexion, dilated pores, and wrinkles. Since 1978, NCTF has been a leader in skin revitalization with over 4 million bottles sold annually by FILLMED and its partners around the world. We sell NCTF to medispas and medical aesthetic clinics across Canada under an exclusive distribution agreement with FILLMED.

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 sell Obagi to medispas and medical aesthetic clinics across Canada and online, under an exclusive distribution agreement with Obagi Cosmeceuticals LLC.

ART FILLER
ART FILLER is an exclusive collection of hyaluronic acid-based dermal fillers designed to smooth-out superficial to deep wrinkles and create or restore the volumes and contours of the face. Developed, manufactured, and launched in 2016 by FILLMED, ART FILLER injectables benefit 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 performance and the tolerance of ART FILLER have been demonstrated through a unique study combining clinical evaluations and instrument-based measurements. We are currently launching ART FILLER in the Canadian medical aesthetic market under our exclusive distribution agreement with FILLMED. Refer to *Key Business Developments*.

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 26 countries and licensed to eight commercial partners for sale in 40 countries. As countries with the highest commercial potential have already been licensed, Crescita's focus is on providing regulatory support to its 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.

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. 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 Pharmaceuticals ("Taro"), our U.S. licensee for Pliaglis, 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 and in the U.S. with the latest expiry in 2027.

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. Australian, Mexican, U.S. and European patents (validated in Germany, France, Ireland, Spain, Italy and the United Kingdom) were issued with term to 2036. In addition, applications are pending in Canada and New Zealand, 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 utilizing our patented MMPE technology, CTX-101 and CTX-102 (the "Product Candidates"). 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 share of anticipated 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 exploring licensing opportunities with pharmaceutical companies. However, with the current reimbursement challenges for dermatology products in the U.S., securing a licensing partner is more difficult than expected and we have no certainty as to whether current partnering discussions will be successful.

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, Australian Patent No. 2016427261 was issued January 19, 2023, Mexican Patent No. 386903 was issued on October 7, 2021, United States Patent No. 11,642,356 was issued May 9, 2023, and European Patent No. 3528818 was issued on September 15, 2021, and validated in Germany, France, Ireland, Spain, Italy and the United Kingdom, all with term to 2036. As well, patent applications are pending in Canada and New Zealand, 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 subsequently 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. Accordingly, we have no certainty as to whether such discussions will commence or if commenced, be successful.

In addition to U.S. patent No. 8,343,962, U.S. patent No. 9,642,912, Australian Patent No. 201642726, Mexican Patent No. 386903 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, 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 AU, MX, DE, FR, IE, GB, ES, IT and the U.S. expiring in 2036. Applications pending in CA and NZ through 2036.
CTX-102[1]	Dermatological skin treatment	Phase 1	Patents granted in the U.S. expiring in 2027. Patent granted in AU, MX, DE, FR, IE, GB, ES and IT expiring in 2036. Applications pending in CA, and NZ, through 2036. U.S. patent granted through 2040. Applications pending in CA, EP, 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 in 2020, allowing it to supply Pliaglis in Europe. In addition, the parties later agreed that Cantabria would supply Pliaglis 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 Pliaglis in Italy.

Licensing Agreement with Taro Pharmaceuticals Inc.
In 2017, we entered into a development and commercialization license agreement with Taro Pharmaceuticals Inc., a subsidiary of Taro Pharmaceutical Industries Ltd., as amended in July 2020, (the "Taro Agreement"). Under the terms of the 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 they have contributed to the decrease in Pliaglis sales in the U.S. However, under the terms of the 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. In Fiscal 2022, the Company recognized minimum annual guaranteed royalties of $1,359 (US$1,000). Other than the minimum guaranteed royalty, no other royalties from Taro were recorded in Fiscal 2022 and Q1-23.

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 and contract manufacturing 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, as well as effects of 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 Q1-23 Interim Financial Statements for a further discussion on the impact of foreign currency fluctuations on our results of operations.

	Three months ended March 31,	
Average rates	**2023**	**2022**
U.S. dollar	**1.3518**	1.2663
Euro	**1.4507**	1.4218

	As at March 31,	
Spot rates	**2023**	**2022**
U.S. dollar	**1.3533**	1.2496
Euro	**1.4708**	1.3853

Revenue by Segment

Three months ended March 31,	**2023**	**2022**	**Change**
In thousands of CAD	**$**	$	$
Commercial Skincare	**2,492**	1,536	956
Licensing and Royalties	**21**	-	21
Manufacturing and Services	**2,089**	3,415	(1,326)
Total revenue	**4,602**	4,951	(349)

Commercial Skincare
Commercial Skincare sales for the three months ended March 31, 2023 were $2,492 compared to $1,536 for the three months ended March 31, 2022, representing an increase of $956. The increase was mainly driven by higher product sales from our core brands across all channels and geographies, as a result of new product launches and promotions and, to a lesser extent, the timing differences of order fulfillments year-over-year.

Licensing and Royalties
For the three months ended March 31, 2023, Licensing and Royalties revenue of $21 represented guaranteed royalties above the annual contractual minimum under the Cantabria Agreement.

Manufacturing and Services
Manufacturing and Services revenue for the three months ended March 31, 2023 was $2,089 compared to $3,415 for the three months ended March 31, 2022. The decrease of $1,326 was mainly due to a delay in shipments to a major customer as a result of a supply chain issue. 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, 2023 and 2022:

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

Three months ended March 31,	2023	2022
Canada	**54%**	38%
U.S.	**40%**	59%
ROW	**6%**	3%
	100%	100%

By Segment

Three months ended March 31,	2023	2022
Commercial Skincare	**55%**	31%
Licensing and Royalties	**0%**	0%
Manufacturing and Services	**45%**	69%
	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, 2023 and 2022, we had one major customer in the Manufacturing segment that accounted for 37% and 55%, respectively, of our consolidated revenue.

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, the cost of products purchased from third parties, costs for the development of formulas under our CDMO services, net of government subsidies, as applicable.

Three months ended March 31,	2023	2022	Change
In thousands of CAD	**$**	$	$
Revenue	**4,602**	4,951	(349)
Cost of goods sold	**1,866**	2,239	(373)
Gross profit	**2,736**	2,712	24
Gross margin %	***59.5%***	*54.8%*	*4.7%*

Commercial Skincare

Three months ended March 31,	2023	2022	Change
In thousands of CAD	**$**	$	$
Revenue	**2,492**	1,536	956
Cost of goods sold	**946**	618	328
Gross profit	**1,546**	918	628
Gross margin %	***62.0%***	*59.8%*	*2.2%*

For the three months ended March 31, 2023, gross profit in the Skincare segment was $1,546, representing a gross margin of 62.0%, compared to $918 and 59.8% for the three months ended March 31, 2022. The increases in gross profit and gross margin of $628 and 2.2%, respectively, were mainly due to higher segment revenue and favorable product and channel mix.

Licensing and Royalties

Three months ended March 31,	2023	2022	Change
In thousands of CAD	**$**	$	$
Revenue	**21**	-	21
Cost of goods sold	**-**	-	-
Gross profit	**21**	-	21
Gross margin %	***100.0%***	*N/A*	*N/A*

For the three months ended March 31, 2023, gross profit in the Licensing segment was $21 representing a gross margin of 100.0%.

Manufacturing and Services

Three months ended March 31,	2023	2022	Change
In thousands of CAD	**$**	$	$
Revenue	**2,089**	3,415	(1,326)
Cost of goods sold	**920**	1,621	(701)
Gross profit	**1,169**	1,794	(625)
Gross margin %	***56.0%***	*52.5%*	*3.5%*

For the three months ended March 31, 2023, gross profit in the Manufacturing segment was $1,169 representing a gross margin of 56.0%, compared to $1,794 and 52.5%, respectively, for the three months ended March 31, 2022. The decrease in gross profit of $625 was due to lower segment revenue, while the increase in gross margin of 3.5% was mainly driven by the favorable impact of cost efficiencies, product mix and foreign exchange rates.

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,	2023	2022	Change
In thousands of CAD	**$**	$	$
Research and development	**160**	127	33
Selling, general and administrative	**2,437**	2,595	(158)
Depreciation and amortization	**375**	366	9
Total operating expenses	**2,972**	3,088	(116)

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 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 because they allow us to remain competitive in our product offerings. To a lesser extent, we also incur 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 our pipeline and management's allocation of internal resources to these activities and to each product specifically.

For the three months ended March 31, 2023, R&D expenses were $160 compared to $127 for the three months ended March 31, 2022. The year-over-year increase of $33 was mainly due to higher headcount-related expenses.

Selling, General and Administrative
For the three months ended March 31, 2023, SG&A expenses were $2,437 compared to $2,595 for the three months ended March 31, 2022, representing a decrease of $158 year-over-year. The decrease was mainly due to lower headcount-related and share-based compensation expenses.

Depreciation and Amortization
For the three months ended March 31, 2023, depreciation and amortization expense was $375 compared to $366 for the three months ended March 31, 2022. The year-over-year increase of $9 is primarily due to higher amortization expense for our right-of-use asset.

Other (Income) Expenses

Three months ended March 31,	2023	2022	Change
In thousands of CAD	$	$	$
Interest expense	**23**	61	(38)
Interest income	**(121)**	(46)	(75)
Foreign exchange (gain) loss	**(36)**	71	(107)
Share of (profit) loss of an associate	**(8)**	12	(20)
Net loss on convertible note measured at fair value through profit and loss	**13**	-	13
Total other (income) expenses	**(129)**	98	(227)

Interest
For the three months ended March 31, 2023, interest expense was $23 compared to $61 for the three months ended March 31, 2022. The year-over-year decrease of $38 was primarily due to interest savings from the early repayment of the convertible debentures with Bloom Burton Healthcare Lending Trust and Bloom Burton Healthcare Lending Trust II in Q2-22.

For the three months ended March 31, 2023, interest income was $121 compared to $46 for the three months ended March 31, 2022, representing an increase of $75 year-over-year, primarily due to higher market interest rates. 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 and its convertible note with The Best You® ("TBY"). Refer to Note 6 – *Contract Assets* and Note 7 - *Investment in an Associate and Convertible Note* to our Q1-23 Interim Financial Statements.

Foreign Exchange (Gain) Loss
For the three months ended March 31, 2023, we recorded a net foreign currency gain of $36 compared to a net foreign currency loss of $71 for the three months ended March 31, 2022. Currency variances are mainly 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 $1,629 related to the Cantabria Agreement denominated in euros.

Share of (Profit) Loss of an Associate
In Q3-21, we acquired a minority interest in Akyucorp Ltd. d/b/a The Best You, a privately held network of seven medical aesthetic clinics in Ontario. Each quarter, we record our proportionate share of profit or loss from our investment in TBY. In Q1-23, we recorded profit of $8 compared to a loss of $12 in Q1-22.

Net Loss on Convertible Note
The Company holds a convertible note receivable related to its minority interest in TBY for an initial principal amount of $500 (the "Note"). The Company may be required to invest an additional $750, contingent on certain events and/or financial indicators being met. This financial instrument is remeasured at fair value at each reporting period using the discounted cash flow method, adjusted to reflect the changes in relevant credit spreads and changes in risk free rates, among other inputs. During the three months ended March 31, 2023, as a result of the general increase in interest rates, we recorded a fair value loss of $13 compared to $nil recorded for the three months ended March 31, 2022.

Net Loss and Loss per Share

Three months ended March 31,	2023	2022	Change
In thousands of CAD, except number of shares and per share data	**$**	$	$
Loss before income taxes	**(107)**	(474)	367
Deferred income tax expense	**166**	-	166
Net loss	**(273)**	(474)	201
Weighted average number of common shares outstanding			
Basic and diluted	**20,334,153**	20,936,672	(602,519)
Loss per share			
Basic and diluted	**$ (0.01)**	$ (0.02)	$ 0.01

Loss before Income taxes
For the three months ended March 31, 2023, loss before income taxes was $107 compared to $474 for the three months ended March 31, 2022. The improvement of $367 was mainly due to: 1) SG&A savings of $158; 2) a favorable foreign exchange variance of $107; and 3) higher interest income of $75.

Deferred Income Tax Expense
For the three months ended Mach 31, 2023, we recognized $166 in deferred income tax expense related to taxable income generated by Crescita Skin Sciences Inc., a wholly owned subsidiary of Crescita Therapeutics Inc.

Weighted Average Number of Common Shares Outstanding
The diluted weighted average number of Common Shares outstanding for the periods is impacted by the number of options and warrants that are “in the money” and the effect of convertible debentures, when such impact is dilutive. Since the convertible debentures were repaid in full in Q2-22, they would only impact periods prior to June 30, 2022. The basic and diluted weighted average number of Common Shares outstanding for Q1-22 were also affected by the shares purchased for cancellation under the Company’s NCIB.

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, 2023 and 2022. Refer to the section titled *Loss before Income Taxes* for details.

Three months ended March 31,	2023	2022	Change
In thousands of CAD	**$**	$	$
Net loss	**(273)**	(474)	201
Adjust for:			
Depreciation and amortization	**375**	366	9
Interest (income) expense, net	**(98)**	15	(113)
Deferred income tax expense	**166**	-	166
EBITDA	**170**	(93)	263
Adjust for:			
Share-based compensation	**22**	76	(54)
Foreign exchange (gain) loss	**(36)**	71	(107)
Share of (profit) loss of an associate	**(8)**	12	(20)
Net loss on convertible note measured at fair value through profit or loss	**13**	-	13
Adjusted EBITDA	**161**	66	95

Liquidity and Capital Resources

Consolidated Statement of Cash Flows

Three months ended March 31,	2023	2022	Change
In thousands of CAD	**$**	$	$
Net loss	**(273)**	(474)	201
Items not involving cash flows	**564**	615	(51)
Cash from operations	**291**	141	150
Net change in non-cash working capital	**1,840**	518	1,322
Cash provided by operating activities	**2,131**	659	1,472
Cash used in investing activities	**-**	(45)	45
Cash used in financing activities	**(99)**	(168)	69
Effect of foreign exchange rates on cash and cash equivalents	**5**	(35)	40
Net change in cash and cash equivalents during the period	**2,037**	411	1,626
Cash and cash equivalents beginning of period	**8,298**	11,331	(3,093)
Cash and cash equivalents, end of period	**10,275**	11,742	(1,467)

Operating Activities

For the three months ended March 31, 2023, cash provided by operating activities was $2,131 compared to $659 for the three months ended March 31, 2022. The year-over-year increase of $1,472 was mainly driven by the favorable movement in non-cash working capital items of $1,322.

The net change in non-cash working capital of $1,840 for the three months ended March 31, 2023 was mainly driven by the decrease in accounts receivable and contract assets related to the timing of collections, partly offset by lower accounts payable. 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 to meet planned demand. The timing of working capital inflows and outflows will always have an impact of cash flows from operating activities.

Investing Activities
For the three months ended March 31, 2023, $nil was used in investing activities compared to $45 for the three months ended March 31, 2022, mainly for plant equipment and facility upgrades.

Financing Activities
For the three months ended March 31, 2023, cash used in financing activities totaled $99 compared to $168 for the three months ended March 31, 2022, representing a year-over-year decrease of $69. In Q1-23, we paid $99 for the lease for our manufacturing and office facility ($91 in Q1-22) but did not have repurchases under a normal course issuer bid ($77 in Q1-22).

Financial Instruments and Risk Management

Please refer to Note 14 – *Financial Instruments and Risk Management* to our Q1-23 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, 2022. Refer to Note 3 – *Summary of Significant Accounting Policies* and Note 14 – *Lease Obligation* to our Consolidated Audited Financial Statements for the years ended December 31, 2022 and 2021 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, 2023.

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 and contract manufacturing sales to its customers, royalties, 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.

We believe that we have sufficient capital resources from our cash and investment accounts and 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* to its 2022 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 4 - *Use of Estimates and Judgments* to the Company's 2022 Consolidated Audited Financial Statements.

There were no changes to our critical accounting estimates and judgements since our year ended December 31, 2022. Refer to the "Critical Accounting Policies and Estimates" section within our 2022 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, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021
In thousands of CAD except per share data and number of shares	**$**	**$**	$	$	$	$	$	$
Revenue by Segment								
Commercial Skincare	**2,492**	2,422	1,672	2,392	1,536	2,270	1,563	1,869
Licensing and Royalties	**21**	1,481	92	227	-	2,367	319	475
Manufacturing and Services	**2,089**	2,127	4,268	3,893	3,415	2,925	1,111	605
Revenue	**4,602**	6,030	6,032	6,512	4,951	7,562	2,993	2,949
Profitability								
Gross profit	**2,736**	3,885	2,938	3,647	2,712	4,651	1,525	1,722
Total operating expenses	**2,972**	3,313	2,805	3,447	3,088	3,536	2,385	2,399
Net income (loss)	**(273)**	1,178	195	(37)	(474)	943	(900)	(712)
Adjusted EBITDA[1]	**161**	997	512	646	66	1,585	(471)	(269)
Share information								
Earnings (loss) per share								
Basic	**$ (0.01)**	$ 0.06	$ 0.01	$ (0.00)	$ (0.02)	$ 0.04	$ (0.04)	$ (0.03)
Diluted	**$ (0.01)**	$ 0.06	$ 0.01	$ (0.00)	$ (0.02)	$ 0.04	$ (0.04)	$ (0.03)
Weighted average number of common shares outstanding								
Basic	**20,334**	20,392	20,627	20,814	20,937	21,016	20,761	20,613
Diluted	**20,334**	20,643	20,912	20,814	20,937	22,295	20,761	20,613
Financial Position								
Cash and cash equivalents	**10,275**	8,238	10,738	10,502	11,742	11,331	12,236	13,083
Total assets	**27,841**	28,484	27,711	27,793	29,415	28,923	28,023	27,740
Total non-current financial liabilities[2]	**1,233**	1,331	1,406	1,495	1,583	1,672	1,796	1,879

[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. Starting in June 2021, convertible debentures ($nil at March 31, 2023, and $988 at March 31, 2022) were presented as part of current liabilities given their maturity date of less than twelve months at that time. As at June 30, 2022, the convertible debentures were paid in full.

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, 2023. 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 when deciding whether to make an investment in the securities of Crescita, together with 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 our Common Shares, could be seriously affected.

Additional Information

Additional information relating to the Company, including our most recently filed AIF, can be found 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, 2023** **$**	As at December 31, 2022 $
Assets			
Current			
Cash and cash equivalents		**10,275**	8,238
Accounts receivable	*14*	**4,197**	4,561
Inventories	*5*	**5,454**	5,646
Other current assets	*14*	**423**	494
Current portion of contract assets	*6, 14*	**56**	1,577
Total current assets		**20,405**	20,516
Non-current			
Contract assets	*6, 14*	**1,573**	1,570
Property, plant and equipment		**735**	791
Right-of-use asset		**1,416**	1,517
Intangible assets		**2,648**	2,866
Investment in an associate	*7*	**350**	342
Convertible note	*7*	**425**	427
Deferred tax assets		**289**	455
Total assets		**27,841**	28,484
Liabilities			
Current			
Accounts payable and accrued liabilities	*14*	**5,299**	5,602
Current portion of lease obligation		**410**	405
Current portion of other obligations		**50**	50
Total current liabilities		**5,759**	6,057
Non-current			
Lease obligation		**1,104**	1,208
Other obligations		**129**	123
Total liabilities		**6,992**	7,388
Equity			
Capital Stock	*9*	**56,304**	56,304
Contributed surplus		**4,299**	4,271
Accumulated other comprehensive income (AOCI)		**1,132**	1,134
Deficit		**(40,886)**	(40,613)
Total equity		**20,849**	21,096
Total liabilities and equity		**27,841**	28,484

See accompanying Notes.

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

Three months ended March 31		**2023**	2022
(In thousands of Canadian dollars, except per share data and number of shares)	***Notes***	**$**	$
Revenues	*10*	**4,602**	4,951
Operating expenses			
Cost of goods sold	*5, 12*	**1,866**	2,239
Research and development	*12*	**160**	127
Selling, general and administrative	*11, 12*	**2,437**	2,595
Depreciation and amortization	*12*	**375**	366
Operating loss		**(236)**	(376)
Interest expense		**23**	61
Interest income		**(121)**	(46)
Foreign exchange (gain) loss		**(36)**	71
Share of (profit) loss of an associate	*7*	**(8)**	12
Net loss on convertible note measured at fair value through profit or loss	*7*	**13**	-
Loss before income taxes		**(107)**	(474)
Deferred income tax expense		**166**	-
Net loss		**(273)**	(474)
Other comprehensive income (loss) to be reclassified to net income (loss) in subsequent periods			
Unrealized gain (loss) on translation of foreign operations (net of income taxes)		**(2)**	4
Total comprehensive loss		**(275)**	(470)
Loss per share			
- Basic and diluted		**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding			
- Basic and diluted		**20,334,153**	20,936,672

See accompanying Notes.

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

(In thousands of Canadian dollars, except for number of shares)	**Common Shares**		**Contributed Surplus**	**Deficit**	**AOCI**	**Total**
		$	**$**	**$**	**$**	**$**
Notes	*9, 11*	*9, 11*	*9, 11*			
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
Net income	-	-	-	1,336	-	1,336
Class A shares cancelled	(51,930)	-	-	-	-	-
Class A shares repurchased and cancelled	(532,390)	(1,474)	1,122	-	-	(352)
Class A shares issued through options exercised	15,001	10	(4)	-	-	6
Share-based compensation expense	-	-	100	-	-	100
Unrealized loss on translation of foreign operations (net of income tax expense of $3)	-	-	-	-	(18)	(18)
Balance, December 31, 2022	20,334,153	56,304	4,271	(40,613)	1,134	21,096
Net loss	-	-	-	(273)	-	(273)
Share-based compensation expense	-	-	28	-	-	28
Unrealized loss on translation of foreign operations (tax effect of $nil)	-	-	-	-	(2)	(2)
Balance, March 31, 2023	**20,334,153**	**56,304**	**4,299**	**(40,886)**	**(1,132)**	**20,849**

See accompanying Notes.

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

Three months ended March 31		**2023**	2022
(In thousands of Canadian dollars)	***Notes***	**$**	$
Operating Activities			
Net loss		**(273)**	(474)
Adjustments for:			
Depreciation and amortization	*12*	**375**	366
Share-based compensation	*11*	**22**	76
Inventory write-down	*5*	**43**	60
Deferred income taxes		**166**	-
Net interest accretion		**(9)**	2
Share of (profit) loss of an associate	*7*	**(8)**	12
Net loss on convertible note measured at fair value through profit or loss	*7*	**13**	-
Other		**(38)**	99
		291	141
Net change in non-cash working capital	*13*	**1,840**	518
Cash provided by operating activities		**2,131**	659
Investing Activities			
Acquisition of property, plant and equipment		**-**	(45)
Cash used in investing activities		**-**	(45)
Financing Activities			
Payment of principal portion of lease obligation		**(99)**	(91)
Repurchase of Class A shares	*9*	**-**	(77)
Cash used in financing activities		**(99)**	(168)
Effect of exchange rate changes on cash		**5**	(35)
Net change in cash and cash equivalents during the period		**2,037**	411
Cash and cash equivalents, beginning of period		**8,238**	11,331
Cash and cash equivalents, end of period		**10,275**	11,742
Supplemental Cash Flow Information			
Interest paid [(i)]		**17**	20
Interest received [(i)]		**52**	5

[(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 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

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, 2022 and 2021 ("2022 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, 2023 and 2022 were authorized for issue by the Board of Directors on May 10, 2023.

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 2022 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 4 – *Use of Estimates and Judgments* to the Company's 2022 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 for the Canadian and international markets. It also commercializes Pliaglis®, NCTF® Boost 135 HA, ART FILLER® and Obagi Medical® 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. Some of Crescita's brands are also sold directly to consumers through its online platforms. Our brands are also distributed by partners in international markets including the United States ("U.S."), South Korea and Malaysia.

Licensing & 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, which may combine its technologies and various selected molecules 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
Corporate and Other includes all the operating expenses to support Crescita's public company infrastructure and its three reportable segments, other expenses (income) which includes financing costs and the Company's share of profit or loss of its associate and net loss (gain) on its convertible note, as well as corporate income tax expenses.

	Commercial Skincare	Licensing & Royalties	Manufacturing and Services	Corporate and Other	Total
Three months ended March 31, 2023	**$**	**$**	**$**	**$**	**$**
Revenue	**2,492**	**21**	**2,089**	**-**	**4,602**
Cost of goods sold	**946**	**-**	**920**	**-**	**1,866**
	1,546	**21**	**1,169**	**-**	**2,736**
Research and development	**-**	**-**	**-**	**160**	**160**
Selling, general and administrative	**-**	**-**	**-**	**2,437**	**2,437**
Depreciation and amortization	**-**	**-**	**-**	**375**	**375**
Other income, net	**-**	**-**	**-**	**(129)**	**(129)**
Deferred income tax expense				**166**	**166**
Total expenses	**-**	**-**	**-**	**3,009**	**3,009**
	1,546	**21**	**1,169**	**(3,009)**	**(273)**

	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	-	-	-	98	98
Total expenses	-	-	-	3,186	3,186
	918	-	1,794	(3,186)	(474)

5. Inventories

Inventories consisted of the following as at:

	March 31, 2023	December 31, 2022
	$	$
Raw materials	**2,850**	2,936
Work-in-process	**546**	512
Finished goods	**2,058**	2,198
	5,454	5,646

During the three months ended March 31, 2023, inventories in the amount of $1,823 were recognized in cost of goods sold ($2,179 for the three months ended March 31, 2022).

During the three months ended March 31, 2023, $43 of finished goods were written down ($60 for the three months ended March 31, 2022).

There were no reversals of prior write-downs during the three months ended March 31, 2023 ($nil - March 31, 2022).

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 the 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, 2022	3,147
Amounts billed to customers and transferred to accounts receivable	(1,577)
Interest accretion	31
Foreign exchange movement	28
Balance, March 31, 2023	**1,629**
Less: current portion	56
Long-term balance	**1,573**

7. Investment in an Associate and Convertible Note

On September 7, 2021, the Company announced the acquisition of a minority interest in The Best You ("TBY"), a privately-held network of seven medical aesthetic clinics in the province of Ontario. In consideration for the minority interest, Crescita issued 470,128 common shares ("Common Shares") at a price of $0.70 per Common Share for total consideration of $330 (the "Initial Investment"). In October 2022, the Company acquired an additional interest in TBY for cash consideration of $61. The Company determined that it has significant influence over TBY from its representation on the board of directors and participation in significant business decisions. The investment is accounted for using the equity method.

In connection with the Initial Investment, the Company purchased a secured convertible promissory note (the "Convertible Note" or the "Note") from TBY with an initial principal amount of $500. The Company may be required to invest an additional $750, contingent on certain events and/or financial indicators being met. The Convertible Note bears interest at variable rates up to 12% based on Crescita's annual volume of product sales to TBY. The Note is convertible into an additional equity interest in TBY at Crescita's option at any time after July 31, 2023, or upon the occurrence of certain events, and is mandatorily convertible should TBY 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 ("FVTPL").

The fair value of the Convertible Note is re-measured at each reporting period using the discounted cash flow method. Management's best estimate of the annual volume of product sales to TBY is used to determine 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, 2023 was 15.76% primarily due to the general increase in interest rates (15.23% at December 31, 2022) resulting in a fair value loss of $13 for the three months ended March 31, 2023. A 50-basis point increase (decrease) in the discount rate would have resulted in a $6 decrease (increase) in the fair value of the Convertible Note at quarter end.

8. Credit Facility

The Company has a revolving demand credit facility (the "Facility") with a Canadian chartered bank (the "Bank") for an authorized amount, subject to margin requirements, of $3,500. 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 the maximum amount available under the Facility of $3,500 at March 31, 2023 ($3,500 at December 31, 2022). The Facility bears interest at the Bank's prime rate (6.70% as at March 31, 2023) plus 0.25% and does not have any financial covenants. No amounts had been drawn from the Facility as at March 31, 2023 ($nil at December 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, 2021	20,982,752	58,084
Shares cancelled	(17,080)	-
Shares repurchased and cancelled	(646,520)	(1,790)
Shares issued through options exercised	15,001	10
Balance, December 31, 2022	20,334,153	56,304
Balance, March 31, 2023	**20,334,153**	**56,304**

During the year ended December 31, 2022, 646,520 Common Shares with a carrying value of $1,790 were repurchased for cancellation under the Company's normal course issuer bid ("NCIB") for cash consideration of $429. The excess of the carrying value over the purchase price in the amount of $1,361 was recorded to Contributed Surplus.

The Company's NCIB was approved by the Toronto Stock Exchange ("TSX") 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, the Company adopted an automatic securities purchase plan ("ASPP") that contained strict parameters regarding how its Common Shares could 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 were executed by the broker on parameters established by the Company prior to the pre-established ASPP period. The NCIB was not renewed.

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, 2023 and 2022:

	For the three months ended March 31,							
	Canada		U.S.		Rest-of-World		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$	$	**$**	$	**$**	$	**$**	$
Commercial Skincare								
Product Sales	**2,266**	1,456	**9**	7	**217**	73	**2,492**	1,536
Licensing and Royalties								
Licensing Revenue	**-**	-	**-**	-	**21**	-	**21**	-
Manufacturing and Services								
Product Sales	**202**	409	**1,861**	2,938	**26**	68	**2,089**	3,415
	2,468	1,865	**1,870**	2,945	**264**	141	**4,602**	4,951

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, 2023 and 2022, the Company had one major customer in the Manufacturing segment that accounted for 37% and 55%, respectively, of the Company's consolidated revenue.

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

Share Option Plan

Below is a schedule of issued and outstanding options under the Company's Share Option Plan:

	Number of Options	Range of Exercise Price	Weighted Average Exercise Price
	000's	**$**	**$**
Balance, December 31, 2022	2,967	0.43 – 1.65	0.77
Balance, March 31, 2023	**2,967**	**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, 2023:

	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	896	5.27	0.48	896	0.48
0.60 - 0.81	1,557	6.11	0.66	1,041	0.66
1.63 - 1.65	514	3.14	1.63	514	1.63
	2,967	**5.34**	**0.77**	**2,451**	**0.80**

Share Appreciation Rights ("SARs") Plan
Below is a schedule of issued and outstanding SARs under the Company's SARs Plan, 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, 2022	527	0.65 – 0.70	0.67	0.10 – 0.18	31
Adjustment to market value	-	-	-	-	(4)
Balance, March 31, 2023	**527**	**0.65 – 0.70**	**0.67**	**0.06 – 0.15**	**27**

Deferred Share Unit ("DSU") Plan
Below is a schedule of issued and outstanding DSUs under the Company's DSU Plan, and the related accrual:

	Number of DSUs	Fair Value	Accrual
	000's	$	$
Balance, December 31, 2022	228	0.66	150
Adjustment to market value	-	-	(2)
Balance, March 31, 2023	**228**	**0.65**	**148**

Summary of Share-based Compensation

Share-based compensation expense is as follows:

Three months ended March 31,	**2023**	2022
	$	$
Share Option Plan	**28**	45
Share Appreciation Rights Plan	**(4)**	15
Deferred Share Unit Plan	**(2)**	16
Share-based compensation expense	**22**	76
Recorded in the consolidated interim statements of loss and comprehensive loss as follows:		
Selling, general and administrative expenses	**22**	76
Share-based compensation expense	**22**	76

12. Expenses by Nature

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

(a) Employee costs:

Three months ended March 31,	**2023**	2022
	$	$
Short-term employee wages, bonuses and benefits	**2,023**	2,181
Share-based payments[(i)] (Note 11)	**22**	57
Total employee costs	**2,045**	2,238
Included in:		
Cost of goods sold	**566**	650
Research and development expenses (R&D)	**142**	115
Selling, general and administrative expenses (SG&A)	**1,337**	1,473
Total employee costs	**2,045**	2,238

(i) Excludes share-based payments to directors.

(b) Depreciation and amortization:

Three months ended March 31,	**2023**	2022
	$	$
Cost of goods sold	**136**	128
Selling, general and administrative expenses[(ii)]	**239**	238
Total depreciation and amortization	**375**	366

[(ii)] Includes $218 of amortization of intangible assets and $21 of depreciation of tangible assets for the three months ended March 31, 2023 ($218 and $20 respectively for the three months ended March 31, 2022).

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,	**2023**	2022
	$	$
Accounts receivable	**343**	(1,365)
Inventories	**149**	(623)
Other current assets	**71**	127
Contract assets	**1,577**	1,491
Accounts payable and accrued liabilities	**(300)**	888
Net change in non-cash working capital	**1,840**	518

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, 2023			December 31, 2022		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Recurring fair value measurements						
Convertible note – The Best You (Note 7)	**-**	**-**	**425**	-	-	427

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, 2023 and 2022.

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 represent 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 and contract manufacturing 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. 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 such as the level of commercial expenses including the costs associated with maintaining regulatory approvals, the acquisition costs of licenses for new products or technologies, and the timing of payments received or made under licensing arrangements.

Credit Risk
Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash, amounts receivable from customers including contract assets, and its convertible note. The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions. The Company's accounts receivable 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, 2023, 6% of accounts receivable related to customers outside North America and the European Union (December 31, 2022 - 9%).

The contract asset in the amount of $1,629 at March 31, 2023 was related to the Cantabria Agreement and is denominated in euros. Included in total contract assets of $3,147 at December 31, 2022 was a balance of $1,788 related to the Cantabria Agreement and a balance of $1,359 related to the licensing agreement with Taro Pharmaceuticals Inc., denominated in euros and U.S. dollars, respectively. Refer to Note 6 – *Contract Assets*.

As at March 31, 2023, the Company had one customer that accounted for approximately 41% of the total accounts receivable (one customer that accounted for approximately 80% as at December 31, 2022).

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

	March 31, 2023	December 31, 2022
	$	$
Current	**2,265**	**606**
0-30 days past due	**1,876**	**1,957**
31-60 days past due	**86**	**311**
61-90 days past due	**1**	**1,728**
Over 90 days past due	**10**	**13**
	4,238	**4,615**
Allowance for doubtful accounts	**(41)**	**(54)**
	4,197	**4,561**

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 it had not drawn any amounts on its Facility as at March 31, 2023.

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. At March 31, 2023, the Company had a US$2,000 foreign currency forward contract (US$2,000 at December 31, 2022) outstanding to limit its exposure to the U.S. dollar foreign exchange risk. The contract's fair value at March 31, 2023 and December 31, 2022 was nominal.

The significant balances in foreign currencies were as follows as at:

	Euros		U.S. Dollars	
	March 31, 2023	December 31, 2022	**March 31, 2023**	December 31, 2022
	€	€	**$**	$
Cash and cash equivalents	**253**	179	**664**	235
Accounts receivable	**146**	80	**2,315**	2,799
Other current assets	**3**	2	**2**	8
Contract assets	**1,107**	1,237	**-**	1,000
Accounts payable and accrued liabilities	**(269)**	(311)	**(1,423)**	(1,486)
	1,240	1,187	**1,558**	2,556

Based on the aforementioned net exposure as at March 31, 2023, 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 $211 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $182 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; 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; (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.