2022 Annual Report

Management's Discussion and Analysis

March 14, 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 Consolidated Audited Financial Statements and the notes thereto for the years ended December 31, 2022 and 2021 (the "2022 Consolidated Financial Statements", "Fiscal 2022", and "Fiscal 2021", 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

Fiscal 2022 vs. Fiscal 2021	Q4-22 vs. Q4-21
• Revenue was $23,525, up $6,756	• Revenue was $6,030, down $1,532
• Gross profit was $13,182, up $3,168	• Gross profit was $3,885, down $766
• Operating expenses were $12,653, up $1,920	• Operating expenses were $3,313, down $223
• Adjusted EBITDA[1] was $2,221, up $1,289	• Adjusted EBITDA[1] was $997, down $588
• Ending cash of $8,238, down $3,093	• Ending cash of $8,238, down $2,500

[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 year ended December 31, 2022 and up to the date of this MD&A:

Launch of ART FILLER® Injectables
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 dermal fillers made of hyaluronic acid ("HA"), designed to smooth out 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.

Repurchases under the Normal Course Issuer Bid ("NCIB")
In Q4-22 and for the year ended December 31, 2022, we repurchased 107,590 and 646,520 Crescita common shares (the "Common Shares") through our NCIB at an average price of $0.66 and aggregate cash consideration of $72 for the quarter and at an average price of $0.66 and aggregate cash consideration of $429 for the year. Refer to the *Normal Course Issuer Bid* section of this MD&A.

Repayment of Convertible Debentures
In Q2-22, we repaid in full our outstanding convertible debentures with Bloom Burton Healthcare Lending Trust and Bloom Burton Healthcare Lending Trust II (the "Debentures"), significantly reducing our third-party borrowings. The total amount paid of principal and accrued interest to maturity was $1,010. The Debentures bore interest at 9% and had a maturity date of June 30, 2022.

Approval of ART FILLER® Injectables
In Q2-22, Health Canada approved the following injectables that form part of the ART FILLER collection:
1) Art Filler Universal, used for medium to deep lines and wrinkles and replacement of lost volume; 2) Art Filler Fine Lines, used for fine lines and wrinkles; and 3) Art Filler Contour, mainly used to plump and define face contours. We launched the Fillers in the first quarter of 2023.

Launch of Obagi Medical® Product Line in Canada
In Q2-22, we launched the Obagi Medical® product line in the Canadian skincare market. Obagi Cosmeceuticals LLC ("Obagi") is a skincare company that designs products promoting skin health, including the Obagi Medical line which comprises skincare products intended to restore the skin's natural radiance by improving skin tone and texture and diminishing the appearance of premature aging. The efficacy of Obagi Medical products is supported by clinical studies. This new line expands our medical skincare portfolio and complements our Pro-Derm® product line which is intended to optimize medical aesthetic procedures offered by doctors, dermatologists, and plastic surgeons. Our sales force is promoting and selling the products to new and existing clients. We entered into a distribution agreement with Obagi in 2021 for the exclusive rights to promote, distribute and sell the product line in the Canadian skincare market.

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 clinical trials, marketing, distribution and commercialization;*
- *the impact of changing conditions in the regulatory environment and product development processes;*
- *manufacturing and supply risks;*
- *increasing competition in the industries in which the Company operates;*
- *the Company's ability to meet its 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 this MD&A and the Company's most recent AIF dated March 13, 2023.*

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) losses 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 ("Commercial") reportable segment manufactures and sells branded non-prescription skincare products for the Canadian and international markets. It also commercializes Pliaglis®, NCTF, 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, while some of our brands are also sold directly to consumers through our online platforms. International markets include the United States ("U.S."), South Korea and Malaysia, where our brands are sold by distribution partners.

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 5 - *Segmented Information* to our 2022 Consolidated Financial Statements.

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic (the "Pandemic"). As a result of the far-reaching impacts of the Pandemic, we have seen and may continue to see disruptions to our operations and performance, such as closures amongst our clients including spas, medispas and medical aesthetic clinics. In addition, the cost of inflation within our supply chain remains high, and further cost increases could have a significant impact on our cost of sales and margins. We are actively assessing measures to mitigate these costs and operational disruptions, including: (i) operational efficiencies; (ii) qualifying additional suppliers; (iii) building inventory of core materials due to extended lead times; and (iv) pricing action.

The extent of the impact of COVID-19 on future periods will depend on developments, including the duration or resurgence of the Pandemic, the related government responses and the impact on the global economy, which are uncertain and cannot be predicted.

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 December 31, 2022, Crescita had working capital (defined as current assets minus current liabilities) of $14,459, including a cash balance of $8,238. Our cash and other current assets at December 31, 2022 were sufficient to meet our current accounts payable, accrued liabilities, lease and other obligations for at least the next twelve months. In addition, we have a revolving 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 this MD&A, and our AIF for the year ended December 31, 2022. The evolution of the Pandemic is dynamic and the ultimate duration and magnitude of its impact on the economy, capital markets and our financial position cannot be reasonably estimated at this time.

Normal Course Issuer Bid

On December 15, 2021, the Company announced that the TSX approved the renewal of its NCIB, enabling it to purchase up to 1,000,000 Common Shares for cancellation from December 17, 2021 to December 16, 2022.

In connection with its NCIB, the Company adopted an automatic securities purchase plan ("ASPP") that contains strict parameters regarding how its Common Shares may be repurchased during times when it would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed blackout periods. Such purchases are executed by the broker on parameters established by the Company prior to the pre-established ASPP period.

For the years ended December 31,	2022	2021
In 000's of CAD, except number of shares and average price	**$**	$
Common Shares repurchased for cancellation[1]	**646,520**	152,904
Weight average purchase price per share	**0.66**	0.66
Total purchase price	**429**	101

[1] The amount of 152,904 for the year ended December 31, 2021 includes 17,080 Common Shares cancelled in fiscal year 2022.

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 March 13, 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 Yearly Financial Information

In thousands of CAD, except per share data and number of shares	2022	2021	2020
Operations	**$**	**$**	$
Revenues	**23,525**	16,769	15,640
Cost of goods sold	**10,343**	6,755	4,367
Gross profit	**13,182**	10,014	11,273
Gross margin (%)	***56.0%***	*59.7%*	*72.1%*
Operating expenses	**12,653**	10,733	9,718
Operating profit (loss)	**529**	(719)	1,555
Interest (income) expense, net	**(102)**	54	(39)
Impairment of intangible assets	**-**	-	1,918
Other income	**-**	-	(668)
Foreign exchange loss	**51**	244	(176)
Share of (profit) loss of an associate	**57**	(8)	-
Net loss on convertible note measured at fair value through profit or loss	**119**	-	-
Income (loss) before income taxes	**404**	(1,009)	520
Deferred income tax (recovery) expense	**(458)**	96	483
Net income (loss)	**862**	(1,105)	37
Adjusted EBITDA[1]	**2,221**	932	3,201
Earnings (loss) per share			
Basic	**$ 0.04**	$ (0.05)	$ -
Diluted	**$ 0.04**	$ (0.05)	$ -
Weighted average number of common shares outstanding			
Basic	**20,690,875**	20,755,290	20,661,477
Diluted	**21,000,182**	20,755,290	20,969,205
Balance Sheet as at December 31,			
Cash and cash equivalents	**8,238**	11,331	14,281
Total assets	**28,484**	28,923	26,831
Total non-current financial liabilities[2]	**1,331**	1,672	1,080
Total liabilities	**7,388**	8,397	5,698
Total equity	**21,096**	20,526	21,133

[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. During the year ended December 31, 2022, the Debentures were repaid in full.

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 and 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.

We serve the Canadian aesthetic market with two product portfolios: (i) dermocosmetic 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 aesthetic brands are Pro-Derm and Alyria. We also distribute NCTF, ART FILLER and Obagi Medical products 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 production with in-house R&D, supply chain, and quality control functions. Our integrated approach aims to simplify our clients' supply chain to maximize value, ensuring timely and cost-effective product launches. We run our operations from our head office located in the 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.

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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

Pillar 1: Organic Growth
The first pillar focuses on generating revenue growth from existing commercial activities within our non-prescription and prescription portfolios. We achieve this mainly through the introduction of product innovations and line extensions, which may leverage our patented transdermal delivery technologies, MMPE and DuraPeel, and the expansion of our distribution channels and geographic presence. Our in-house R&D and innovation function plays an important role in fueling new product development based on formulation expertise and market intelligence. Since 2021, we strengthened our commercial skincare business mainly by investing in advertising and promotion and by adding skilled sales and marketing professionals. We believe that both our investments and people will help us achieve our organic growth ambitions.

Pillar 2: Strategic Acquisitions and/or In-licensing Agreements
The second pillar focuses on the acquisition of dermatology and/or skincare companies or assets, offering product or services portfolios complementary to our own. We also remain open to acquiring niche strategic commercial stage prescription dermatology products: We are continuously evaluating a variety of potential transactions and business opportunities, including potential acquisitions, that could expand our product offering and distribution channels, some of which may be material. A number of negotiations for potential transactions may be in progress at varying stages at any given time, all of which remain subject to the approval of the Board of Directors. There can be no assurance that any of these negotiations will result in a binding transaction. See *Risks Related to the Company's Business*.

Pillar 3: Strategic Out-licensing of Assets
The third growth pillar focuses on: (i) out-licensing our products, including our lead prescription product, Pliaglis, in markets where we have no commercial presence, and (ii) out-licensing our patented transdermal delivery technologies to partners looking for a differentiating factor for topical dermatology or dermocosmetic product development. These technologies have already been tested with several active ingredients, and in those cases, have demonstrated increased skin permeation of the active ingredient versus the control vehicle. We believe that these technologies could be used with other molecules and could potentially increase the efficacy of certain topical products currently sold. The Company may also further leverage its in-house R&D and innovation function to develop products intended for out-licensing which may use MMPE and DuraPeel.

Pillar 4: Contract Development and Manufacturing Services
The fourth growth pillar aims to generate revenue by providing customers with product development and manufacturing services using our in-house R&D and formulation expertise and manufacturing facility. Increasing our plant's manufacturing volumes generates top line revenue and improves gross margins. Our fully integrated CDMO infrastructure allows Crescita to provide clients with the support activities required to bring their products to market rapidly and efficiently. We are actively seeking new customers and forging partnerships to become a third-party CDMO of choice by offering our customers high quality, cost-effective services from our 50,000-square foot facility. Our manufacturing capabilities range from laboratory to pilot batches to scale-ups. We deliver innovative turnkey manufacturing of skincare products which integrate production with in-house research & development ("R&D"), supply chain management, regulatory and quality assurance and quality control functions.

Strategic Focus and Business Outlook

Our Four-Pillar Growth Strategy guides our overall strategic initiatives and resource allocation decisions. The success of the strategy depends on management's effective execution of initiatives in each of the pillars. Business development remains the key driver through all our pillars. The execution of accretive collaborative arrangements and acquisitions continue to be critical components of our growth strategy.

The dermocosmetic industry is a mature industry and the competitive landscape has historically made the potential for organic growth modest, especially under the traditional B2B model. We are investing in our commercial skincare and manufacturing infrastructure to grow organically. Our commercial focus will be in three main areas: (1) expand our presence in the medical aesthetics space to capitalize on growth trends in this market, including the higher adoption of minimally invasive and non-invasive aesthetic procedures and heightened awareness through the proliferation of social media; (2) increase our market share in the Canadian spa and medispa markets through improved sales and marketing strategies, including expanding brand awareness by engaging directly with consumers; and (3) actively pursue additional production volumes through partnerships in our Manufacturing segment.

To supplement organic growth initiatives, we are also looking at strategic acquisitions and in-licensing novel products to enhance our product offering in both the aesthetics and medical aesthetics markets, all of which will help us expand our geographic presence and enable us to better compete in our industry.

In 2023, we intend to pursue our growth through the following strategic initiatives:

(i) Grow our medical aesthetic business with the launch of the ART FILLER range of injectables and continue gaining traction with NCTF;

(ii) Broaden brand presence through new client acquisition with an improved sales approach and market segmentation strategies to position our brands as leaders in the Canadian dermocosmetic market;

(iii) Increase our CDMO customer base and expand existing customer relationships, providing additional production volumes, generating revenue and improving plant utilization;

(iv) Continue our digital initiatives by improving marketing plans for both the e-commerce and business-to-consumer ("B2C") channels, with better targeted innovations, tailored promotional offers, and loyalty incentives;

(v) Expand our portfolio through strategic licensing agreements and pursue strategic acquisitions allowing us to access specific niche dermocosmetic markets, enhance product capabilities and offerings, or expand our market presence.

With a robust portfolio of assets and a dedicated management team in place, we believe that we are well-positioned to execute our vision and commercial growth strategy in 2023 and beyond.

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 dermocosmetic skincare line developed using scientific research to target major skincare concerns. Alyria offers a complete regimen to help patients achieve healthier-looking skin. Alyria products are sold by physicians operating medispas and medical aesthetic clinics and use therapeutic concentrations of high-quality ingredients, delivered through advanced skin optimizing systems. Alyria's portfolio is complementary to our Pro-Derm line and can be purchased throughout Canada in various medispas and medical clinics and online. 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 generations, it specifically targets age-related skin changes such as dryness, dullness, uneven complexion, dilated pores, and wrinkles. We sell NCTF under our distribution and promotion agreement with FILLMED to medispas and medical aesthetic clinics across Canada. Since 1978, NCTF has been a leader in skin revitalization with over 4 million bottles sold annually by FILLMED and its partners around the world.

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

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 the ART FILLER range in the Canadian medical aesthetic market under our distribution and promotion agreement with FILLMED.

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.

Competitive Conditions

Non-prescription Skincare Products
The dermocosmetic industry is mature and is subject to intense competition. Our direct competition consists of both Canadian and international premium skincare brands which are mostly independently founded and owned, and that market and sell their products directly to spas, medical aesthetic spas and medical clinics. Some of these competitors are longstanding, have established brands and command a significant share of the market.

The global skincare industry is subject to shifts in consumer trends, preferences, and consumer spending. Our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. Our ability to excel in this highly competitive landscape relies on the timely introduction of innovative and on-trend products, as well as our capacity to build and foster strong relationships with the professional aestheticians and healthcare professionals who use and sell our products, as they effectively become the ambassadors of our brands. We believe that our brands offer unique, high-quality products that stay on-trend through our ongoing product innovation cycle. Our in-house product development team, including dermocosmetic formulation experts, works closely with our brand managers, sales, regulatory and manufacturing teams to allow a product to evolve from idea to market.

Consumer awareness of our brands, their perception of our value proposition, the effectiveness and reach of our marketing and promotional activities, amongst other factors, all have a direct impact on our ability to be successful. Some of the major competitors in the skincare industry invest substantially in the promotion of their brands, which, combined with their extensive marketing experience and know-how, allows them to achieve and maintain stronger brand awareness among target consumers. Furthermore, due to their critical mass, such competitors typically have access to favourable terms with regard to marketing, manufacturing, distributing and selling their products, which provides a notable competitive advantage.

We differentiate ourselves from other dermocosmetic companies through what we believe to be our unique competitive strengths:

- Expertise in skin sciences, with the ability to combine our in-house transdermal delivery technologies with new and existing formulations to introduce innovation into the market;
- Over 250 science-based product formulations, providing the agility to adapt to changing customer preferences;
- In-house R&D and manufacturing capabilities for rapid formulation development;
- A fully integrated sales and marketing infrastructure focused on rapid commercialization.

Prescription Drug Products

The pharmaceutical industry is characterized by evolving technology and intense competition. Many companies, including major pharmaceutical and specialized biotechnology companies, are engaged in activities focused on medical conditions that are the same as or similar to those targeted by Crescita. Competition from pharmaceutical, chemical and biotechnology companies, as well as universities and research institutes, is intense and is expected to increase. Many of these organizations engage in substantially more R&D, have greater experience in manufacturing, marketing, and possess greater financial and managerial resources. The Company's branded products may also face competition from generic versions and our success depends upon maintaining our competitive position in the R&D and commercialization of our products.

The American Society of Plastic Surgeons reports that of the over 15 million cosmetic procedures performed in the U.S. each year, 13.4 million (89%) were nonsurgical.[1]

While there are many types of anesthesia used to decrease the pain associated with superficial dermatologic, aesthetic, and laser procedures, the most used are EMLA (lidocaine 2.5% and prilocaine 2.5%), and BLT cream (Benzocaine 20%, Lidocaine 8% and Tetracaine 4%), a compounded topical anesthetic cream.[2] Pliaglis faces competition from other topically applied local anesthetic drug products such as compounded anesthetic creams that are available from certain compounding pharmacies and other prescription anesthetic creams such as EMLA cream.

Compounding is the process by which the pharmacist or doctor combines, mixes or alters pharmaceuticals or other active ingredients to create a custom-made medication in accordance with a prescription. Pliaglis also faces competition from L.M.X 4 and L.M.X 5 sold under the brand names Maxilene 4 and Maxilene 5 in Canada that contain lidocaine in concentrations of either 4% or 5%, non-prescription strengths, and that are available over the counter.

None of the competitors mentioned above offer the unique benefit provided by Pliaglis of its self-occluding properties from the utilization of the Company's proprietary *Peel* technology. Pliaglis also contains the highest concentrations of lidocaine and tetracaine approved by the U.S. Food and Drug Administration ("FDA") and Health Canada. Refer to *Prescription Product Portfolio.* Management believes that the global market for skin anesthesia is not adequately fulfilled and that Pliaglis addresses an unmet need in this market.

[1] Jack, M. MD, Pozner, J. MD, Plastic and Reconstructive Surgery Journal, Putting it All Together: Recommendations for Pain Management in Nonsurgical Facial Rejuvenation, https://pubmed.ncbi.nlm.nih.gov/

[2] Zdybski, J. MD, Dermatology Online, Topical Anesthesia in Cosmetic Dermatological Procedures, http://www.odermatol.com/

Transdermal Delivery Technologies

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

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

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

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

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 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, New Zealand, and in the U.S., with the latest expiry date in 2036.

Product Candidates in Co-Development

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

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

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

These results are based on the Intention to Treat population and study results in the Per Protocol population were also highly significant as were key secondary endpoints for both studies. Our Development Partners are

advancing multiple licensing discussions at varying stages 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 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, New Zealand, and the U.S., with anticipated terms through 2036.

CTX-102

CTX-102 is a topical formulation also utilizing our patented MMPE technology to treat an undisclosed dermatological skin condition. Initial formulation development efforts for CTX-102 were completed in Q2-18, while an Investigational New Drug ("IND") application update was filed on June 25, 2018, including details on the formulations to be evaluated in the first planned Phase 1 vasoconstrictor assay ("VCA") study. The IND update was accepted by the FDA and the initial Phase 1 VCA study designed to evaluate the relative potency of several formulations was completed in Q1-19.

The results of the Phase 1 VCA study were encouraging, and a successful pilot Phase 2 study was 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, Japan and the U.S. with anticipated term through 2040.

Pipeline Products

Non-Prescription Skincare Products

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

Prescription Drug Products

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

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

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

Significant Partnerships

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

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

Cantabria initially completed the transfer of the manufacturing process and analytical test methods for Pliaglis to its manufacturing facility in Santander, Spain 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.

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 the far-reaching impacts of the COVID-19 pandemic – See *Impact of COVID-19*. 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 Financial Instruments and Risk Management - Currency Risk* for a further discussion on the impact of foreign currency fluctuations on our results of operations.

Average rates	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
U.S. dollar	**1.3580**	1.2600	**1.3016**	1.2537
Euro	**1.3864**	1.4409	**1.3703**	1.4833

Spot rates	As at December 31, 2022	2021
U.S. dollar	**1.3544**	1.2678
Euro	**1.4458**	1.4391

Revenue by Segment

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Commercial skincare	**8,022**	7,469	553
Licensing and royalties	**1,800**	3,967	(2,167)
Manufacturing and services	**13,703**	5,333	8,370
Total revenue	**23,525**	16,769	6,756

Commercial Skincare
Commercial Skincare sales for the year ended December 31, 2022 were $8,022 compared to $7,469 for the year ended December 31, 2021, representing an increase of $553. The increase was mainly driven by higher product sales for our core brands across all channels as a result of more promotions and the year-over-year ramp-up of the NCTF and Obagi launches, partly offset by a decrease in Alyria and personal protective equipment sales.

Licensing and Royalties
For the year ended December 31, 2022, Licensing and Royalties revenue was $1,800 compared to $3,967 for the year ended December 31, 2021, representing a decrease of $2,167. Fiscal 2022 revenue of $1,800 included $441 in guaranteed royalties above the contractual minimum under the Cantabria Agreement, and $1,359 ($US1,000) of minimum guaranteed royalties under the Taro Agreement. In Fiscal 2021, we had the following revenue streams: 1) product sales and royalties including minimum guaranteed royalties of $2,563 under our licensing agreements with Taro, Cantabria, and Pelpharma Handels GmbH; and 2) $1,404 in upfront and milestone payments from our licensing agreements with Egis Pharmaceuticals PLC, STADA MENA DWC-LLC and Croma Pharma GmbH. Other than minimum guaranteed royalties, no royalties were recognized for Pliaglis in the U.S. in both 2021 and 2022.

Manufacturing and Services
Manufacturing and Services revenue for the year ended December 31, 2022 was $13,703 compared to $5,333 for the year ended December 31, 2021. The year-over-year increase of $8,370 was mainly driven by the completion of the approximately $7,000 in purchase orders previously announced, as well as additional volumes from new and existing CMO clients. 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 years ended December 31, 2022 and 2021:

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

For the years ended December 31,	2022	2021
Canada	**42%**	57%
U.S.	**51%**	29%
ROW	**7%**	14%
	100%	100%

By Segment

For the years ended December 31,	2022	2021
Commercial Skincare	**34%**	44%
Licensing and Royalties	**8%**	24%
Manufacturing and Services	**58%**	32%
	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 year ended December 31, 2022, we had one major customer in the Manufacturing segment that accounted for 49% of our total revenue, and two major customers in the Manufacturing and Licensing segments that accounted for 33% of our total revenue for the year ended December 31, 2021.

Gross Profit by Segment

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

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**23,525**	16,769	6,756
Cost of goods sold	**10,343**	6,755	3,588
Gross profit	**13,182**	10,014	3,168
Gross margin %	***56.0%***	*59.7%*	*-3.7%*

Commercial Skincare

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**8,022**	7,469	553
Cost of goods sold	**3,540**	3,099	441
Gross profit	**4,482**	4,370	112
Gross margin %	***55.9%***	*58.5%*	*-2.6%*

For the year ended December 31, 2022, gross profit in the Commercial segment was $4,482, representing a gross margin of 55.9%, compared to $4,370 and 58.5% for the year ended December 31, 2021. While gross profit increased by $112 mainly due to higher segment revenue, the increase was partly offset by the incremental costs associated with a higher level of product promotions, unfavorable product mix and lower subsidies under the Canada Emergency Wage Subsidy ("CEWS") program, all of which also contributed to the 2.6% decrease in gross margin.

Licensing and Royalties

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**1,800**	3,967	(2,167)
Cost of goods sold	**-**	116	(116)
Gross profit	**1,800**	3,851	(2,051)
Gross margin %	***100.0%***	*97.1%*	*2.9%*

For the year ended December 31, 2022, gross profit in the Licensing segment was $1,800, representing a gross margin of 100.0%, compared to $3,851 and 97.1% for the year ended December 31, 2021. The decrease in gross profit of $2,051 was mainly due to the decrease in segment revenue, while the increase in gross margin of 2.9% was due to the COGS impact of supplying Pliaglis under our Austria licensing agreement in Fiscal 2021.

Manufacturing and Services

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**13,703**	5,333	8,370
Cost of goods sold	**6,803**	3,540	3,263
Gross profit	**6,900**	1,793	5,107
Gross margin %	***50.4%***	*33.6%*	*16.8%*

For the year ended December 31, 2022, gross profit in the Manufacturing segment was $6,900 representing a gross margin of 50.4%, compared to $1,793 and 33.6%, respectively, for the year ended December 31, 2021. The increase in gross profit of $5,107 and gross margin of 16.8% were primarily due to higher segment revenue and the favorable impact of higher manufacturing volumes, partly offset by a lower benefit from government subsidies.

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

Operating Expenses

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Research and development	**609**	634	(25)
Selling, general and administrative	**10,573**	8,720	1,853
Depreciation and amortization	**1,471**	1,379	92
Total operating expenses	**12,653**	10,733	1,920

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 year ended December 31, 2022, R&D expenses were $609 compared to $634 for the year ended December 31, 2021. The year-over-year decrease of $25 was mainly due to lower expenses related to CTX-101 compared to Fiscal 2021.

Selling, General and Administrative
For the year ended December 31, 2022, SG&A expenses were $10,573 compared to $8,720 for the year ended December 31, 2021, representing an increase of $1,853 year-over-year. The increase was mainly due to higher headcount-related costs, in part to support additional manufacturing, and incremental travel and entertainment expenses, partly offset by lower warehousing and distribution costs. Also contributing to the increase in SG&A was the end of our eligibility for wage subsidies which represented $777 in 2021, compared to $nil in 2022.

Depreciation and Amortization
For the year ended December 31, 2022, depreciation and amortization expense was $1,471 compared to $1,379 for the year ended December 31, 2021. The year-over-year increase of $92 is primarily due to higher depreciation expense for our right-of-use asset and property, plant and equipment year-over-year.

Other Expenses

For the years ended December 31,	2022	2021	Change
In thousands of CAD	$	$	$
Interest expense	**158**	236	(78)
Interest income	**(260)**	(182)	(78)
Foreign exchange loss	**51**	244	(193)
Share of (profit) loss of an associate	**57**	(8)	65
Net loss on convertible note measured at fair value through profit and loss	**119**	-	119
Total other expenses	**125**	290	(165)

Interest Expense (Income)
For the year ended December 31, 2022, interest expense was $158 compared to $236 for the year ended December 31, 2021. The year-over-year decreases of $78 was primarily due to interest savings from the early repayment of the Debentures in Q2-22.

For the year ended December 31, 2022, interest income was $260 compared to $182 for the year ended December 31, 2021, representing an increase of $78 year-over-year, primarily due to higher market interest rates and incremental interest on the convertible note with The Best You® ("TBY") purchased in September 2021, partly offset by lower interest accretion on contract assets. 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 TBY. Refer to Note 8 – *Contract Assets* and Note 12 - *Investment in an Associate and Convertible Note* to our 2022 Consolidated Financial Statements.

Foreign Exchange (Gain) Loss
For the year ended December 31, 2022, net foreign currency loss was $51 compared to $244 for the year ended December 31, 2021. 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 $1,788 related to the Cantabria Agreement denominated in euros.

Share of (Profit) Loss of an Associate
In Q3-21, we completed the acquisition of 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 Fiscal 2022, we recorded a loss of $57, compared to a profit of $8 in Fiscal 2021.

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 year ended December 31, 2022, as a result of the general increase in interest rates, we recorded a fair value loss of $119.

Net Income (Loss) and Earnings (Loss) per Share

For the years ended December 31,	2022	2021	Change
In thousands of CAD, except number of shares and per share data	**$**	$	$
Income (loss) before income taxes	**404**	(1,009)	1,413
Deferred income tax (recovery) expense	**(458)**	96	**554**
Net income (loss)	**862**	(1,105)	**1,967**
Weighted average number of common shares outstanding			
Basic	**20,690,875**	20,755,290	(64,415)
Diluted	**21,000,182**	20,755,290	244,892
Earnings (loss) per share			
Basic	**$ 0.04**	$ (0.05)	$ 0.09
Diluted	**$ 0.04**	$ (0.05)	$ 0.09

Income (Loss) before Income Taxes
For the year ended December 31, 2022, income before income taxes was $404 compared to a loss before taxes of $1,009 for the year ended December 31, 2021. The year-over-year increase of $1,413 was mainly attributable to: 1) the net overall increase in gross profit of $3,168; 2) the lower foreign exchange loss of $193; 3) the increase in net interest income of $156; and 4) the decrease in R&D expense of $25; partly offset by 1) higher SG&A expenses of $1,853; 2) the increase in amortization and depreciation expenses of $92; 3) the increase in our share of the loss of our associate of $65; and 4) the net loss in fair value on the Note of $119.

Deferred Income Tax (Recovery) Expense
Deferred income tax recovery for the year ended December 31, 2022 was $458, primarily in respect of Canadian non-capital loss carry forwards and deductible temporary differences between the asset carrying amounts used for accounting purposes and the amounts used for tax purposes. The recognition of the income tax recovery was supported by a high probability, based on management's best estimate, that future taxable income against which to deduct the loss carry forwards and temporary differences will be available. Deferred income tax expense for the year ended December 31, 2021 was $96.

Net Income (Loss)
For the year ended December 31, 2022, net income was $862 compared to net loss of $1,105 for the year ended December 31, 2021. The year-over-year increase of $1,967 was mainly caused by the same factors as identified above under the section entitled *Income (Loss) before Income Taxes*.

Weighted Average Number of Common Shares Outstanding
In September 2021, the Company issued 470,128 Common Shares at a price of $0.70 per Common Share in connection with its minority interest investment in TBY. Refer to Note 12 – *Investment in an Associate and Convertible Note* to our 2022 Consolidated Financial Statements. The basic and diluted weighted average number of Common Shares outstanding are also affected by the shares purchased for cancellation under the Company's NCIB. The diluted weighted average number of Common Shares outstanding for the periods is further impacted by the number of options and warrants that are "in the money" and the effect of convertible debentures, when such impact is dilutive. Since the Debentures were repaid in full in Q2-22, they would only impact periods prior to June 30, 2022.

EBITDA and Adjusted EBITDA Reconciliation

The following table provides a reconciliation between net income, as reported in accordance with IFRS, and EBITDA and Adjusted EBITDA, for the fiscal years ended December 31, 2022 and 2021. Refer to the section entitled *Income (Loss) before Income Taxes* for details.

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Net income (loss)	**862**	(1,105)	1,967
Adjust for:			
Depreciation and amortization	**1,471**	1,379	92
Interest (income) expense, net	**(102)**	54	(156)
Deferred income tax (recovery) expense	**(458)**	96	(554)
EBITDA	**1,773**	424	1,349
Adjust for:			
Share-based compensation	**221**	272	(51)
Foreign exchange loss	**51**	244	(193)
Share of (profit) loss of an associate	**57**	(8)	65
Net loss on convertible note measured at fair value through profit or loss	**119**	-	119
Adjusted EBITDA	**2,221**	932	1,289

Liquidity and Capital Resources

Consolidated Statement of Cash Flows

For the years ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Net income (loss)	**862**	(1,105)	1,967
Items not involving cash flows	**1,833**	2,253	(420)
Cash from operations	**2,695**	1,148	1,547
Net change in non-cash working capital	**(3,715)**	(2,745)	(970)
Cash used in operating activities	**(1,020)**	(1,597)	577
Cash used in investing activities	**(290)**	(846)	556
Cash used in financing activities	**(1,846)**	(500)	(1,346)
Effect of foreign exchange rates on cash and cash equivalents	**63**	(7)	70
Net change in cash and cash equivalents during the year	**(3,093)**	(2,950)	(143)
Cash and cash equivalents beginning of the year	**11,331**	14,281	(2,950)
Cash and cash equivalents, end of the year	**8,238**	11,331	(3,093)

Operating Activities

For the year ended December 31, 2022, cash used in operating activities was $1,020 compared to $1,597 for the year ended December 31, 2021. The year-over-year decrease of cash used in operations of $577 was driven by the increase in net income of $1,967, partly offset by the unfavorable movement in non-cash working capital items of $970.

The net investment in non-cash working capital of $3,715 for the year ended December 31, 2022 was mainly driven by the increase in accounts receivable related to the timing of collections and the increase in inventories to meet planned demand. The net investment in non-cash working capital of $2,745 for the year ended December 31, 2021 was mainly driven by the increase in inventories to meet planned demand, and the increase in accounts receivable and contract assets related to the timing of collections, partly offset by higher accounts payable.

Investing Activities
For the year ended December 31, 2022, the Company invested $290 compared to $846 invested for the year ended December 31, 2021. In Fiscal 2021, we purchased the Note with an initial principal amount of $500, while in Fiscal 2022, we invested $61 for an additional equity interest in TBY. All other investments in both periods related mainly to plant equipment and facility upgrades.

Financing Activities
For the year ended December 31, 2022, cash used in financing activities totaled $1,846 compared to $500 for the year ended December 31, 2021, representing a year-over-year increase of $1,346. In Fiscal 2022, we paid: 1) $1,000 to settle the Debentures prior to maturity ($nil in 2021); 2) $373 for the lease for our manufacturing and office facility, ($349 in Fiscal 2021); 3) $429 for the purchase for cancellation of 646,520 Common Shares ($101 for the purchase for cancellation of 152,904 Common Shares in Fiscal 2021); and 4) $50 in connection with the acquisition of the Alyria product line ($50 in Fiscal 2021).

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 Statements of Financial Position as at:

	December 31, 2022			December 31, 2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Recurring fair value measurements						
Convertible note – The Best You	**-**	**-**	**427**	-	-	513

Valuation Methods and Assumptions
Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2022 and 2021.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Level 3 assets represent the convertible note receivable from TBY. The fair value of the Note is revalued at each reporting period based on management's best estimate using the discounted cash flow method. Refer to Note 12 – *Investment in Associate and Convertible Note* to our 2022 Consolidated Financial Statements.

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 demand 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 for at least the next twelve months. Additional funding may be required for the development of new products and/or for future acquisitions.

The Company's exposure to liquidity risk is dependent on the sales growth and profitability of its operations which may be impacted by the status of competitive products and the success of the Company in developing and maintaining markets for its products. In addition, a number of other factors will have an impact on liquidity risk 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 be subject the Company to credit risk consist of cash, amounts receivable from customers including contract assets, and its convertible note. The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions. The Company's accounts receivables are subject to normal industry risks in each geographic region in which the Company operates. In addition, the Company is exposed to credit-related losses on sales to its customers outside North America, including its contract asset related to the Cantabria Agreement, due to potentially higher risks of enforceability and collectability.

As at December 31, 2022, 9% of accounts receivables related to customers outside North America and the E.U. (December 31, 2021 - 5%).

The contract assets totaling $3,147 at December 31, 2022 ($3,159 at December 31, 2021) were related to the Cantabria and Taro Agreements and were denominated in euros and U.S. dollars, respectively. Refer to Note 8 – *Contract Assets* to our 2022 Consolidated Financial Statements.

As at December 31, 2022, the Company had one customer that accounted for approximately 80% of the total accounts receivable (three customers that accounted for approximately 66% as at December 31, 2021). The amounts related to this customer were collected subsequent to December 31, 2022.

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

December 31,	2022	2021
In thousands of CAD	**$**	$
Current	**606**	1,271
0-30 days past due	**1,957**	706
31-60 days past due	**311**	116
61-90 days past due	**1,728**	23
Over 90 days past due	**13**	70
	4,615	2,186
Allowance for doubtful accounts	**(54)**	(79)
Total accounts receivable	**4,561**	2,107

Interest Rate Risk

The Company's practice is to minimize interest rate cash flow risk exposures on its financing. The Company is currently not exposed to interest rate variability as it had not drawn any amounts on its Facility as at December 31, 2022.

Currency Risk

The Company operates internationally, which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar and euro, but also transacts in other foreign currencies. At December 31, 2022, the Company had a US$2,000 foreign currency forward contract (US$nil at December 31, 2021) outstanding to limit its exposure to the U.S. dollar foreign exchange risk. The contract's fair value at December 31, 2022 was nominal.

The significant balances in foreign currencies were as follows:

	Euro (€)		U.S Dollars	
December 31,	2022	2021	2022	2021
In thousands of CAD	**$**	$	**$**	$
Cash and cash equivalents	**179**	728	**235**	**864**
Accounts receivable	**80**	99	**2,799**	**1,136**
Other current assets	**2**	3	**8**	**-**
Contract assets	**1,237**	1,306	**1,000**	**1,000**
Accounts payable and accrued liabilities	**(311)**	(136)	**(1,486)**	**(2,008)**
	1,187	2,000	**2,556**	**992**

Based on the aforementioned net exposure as at December 31, 2022, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $346 on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $172 on total comprehensive income (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.

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 Statement of Financial Position under IFRS 16 – *Leases*. Refer to Note 3 – *Summary of Significant Accounting Policies* and Note 14 – *Lease Obligation* to our 2022 Consolidated Financial Statements.

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 year ended December 31, 2022.

Capability to Deliver Results

The Company will need to spend resources to research, develop, manufacture and commercialize its products and technologies. Crescita may finance these activities through existing cash, revenue generated from product 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.

Fourth Quarter Results

In thousands of CAD, except per share data and number of shares	2022	2021	Change
Operations	**$**	$	$
Commercial skincare	**2,422**	2,270	152
Licensing and royalties	**1,481**	2,367	(886)
Manufacturing and services	**2,127**	2,925	(798)
Revenues	**6,030**	7,562	(1,532)
Cost of goods sold	**2,145**	2,911	(766)
Gross profit	**3,885**	4,651	(766)
Gross margin	***64.4%***	*61.5%*	*2.9%*
Research and development	**160**	171	(11)
Selling, general and administrative	**2,776**	3,018	(242)
Depreciation and amortization	**377**	347	30
Operating expenses	**3,313**	3,536	(223)
Operating profit	**572**	1,115	(543)
Interest (income) expense, net	**(68)**	14	(82)
Foreign (gain) exchange loss	**(131)**	70	(201)
Share of (profit) loss of an associate	**27**	(8)	35
Net loss on convertible note measured at fair value through profit or loss	**24**	-	24
Income before income taxes	**720**	1,039	(319)
Deferred income tax (recovery) expense	**(458)**	96	(554)
Net income	**1,178**	943	**235**
Adjusted EBITDA[1]	**997**	1,585	(588)
Earnings per share			
Basic	**$ 0.06**	$ 0.04	$ 0.02
Diluted	**$ 0.06**	$ 0.04	$ 0.02
Weighted average number of common shares outstanding			
Basic	**20,392,231**	21,016,282	(624,051)
Diluted	**20,643,129**	22,295,112	(1,651,983)

[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.

Results of Operations

Commercial Skincare

Commercial Skincare sales for the three months ended December 31, 2022 were $2,422 compared to $2,270 for the three months ended December 31, 2021, representing an increase of $152. The increase was mainly driven by higher export revenue in Asian markets and the ramp-up of the NCTF and Obagi launches, partly offset by a decrease in Alyria sales.

Licensing and Royalties

For the three months ended December 31, 2022, Licensing and Royalties revenue was $1,481, compared to $2,367 for the three months ended December 31, 2021. The decrease of $886 was mainly due to an upfront payment of $932 (€650) in connection with our licensing agreement with Egis Pharmaceuticals PLC in Q4-21, which did not repeat in Q4-22, partly offset by the incremental minimum guaranteed royalties of $80 under the Taro Agreement ($1,359 (US$1,000) in Q4-22, versus $1,279 (US$1,000) in Q4-21).

Manufacturing and Services

Manufacturing and Services revenue for the three months ended December 31, 2022, was $2,127 compared to $2,925 for the three months ended December 30, 2021. The decrease of $798 was mainly driven by the difference in the level and timing of orders from our clients year-over-year.

Gross Profit by Segment

For the three months ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**6,030**	7,562	(1,532)
Cost of goods sold	**2,145**	2,911	(766)
Gross profit	**3,885**	4,651	(766)
Gross margin %	***64.4%***	*61.5%*	*2.9%*

Commercial Skincare

For the three months ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**2,422**	2,270	152
Cost of goods sold	**1,101**	897	204
Gross profit	**1,321**	1,373	(52)
Gross margin %	***54.5%***	*60.5%*	*-6.0%*

For the three months ended December 31, 2022, gross profit in the Commercial Skincare segment was $1,321, representing a gross margin of 54.5%, compared to $1,373 and 60.5%, respectively, for the three months ended December 31, 2021. The decreases in gross profit and gross margin of $52 and 6.0%, respectively, were mainly due to incremental costs associated with a higher level of promotions, an unfavorable product mix, as well as lower subsidies under the CEWS program, partly offset by higher segment revenue.

Licensing and Royalties

For the three months ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**1,481**	2,367	(886)
Cost of goods sold	**-**	-	-
Gross Profit	**1,481**	2,367	(886)
Gross Margin %	***100.0%***	*100.0%*	*0.0%*

For the three months ended December 31, 2022, gross profit in the Licensing and Royalties segment was $1,481, compared to $2,367 for the three months ended December 31, 2021, while the gross margin remained flat at 100.0% year-over-year. The decrease in gross profit of $886 was due to lower segment revenue.

Manufacturing and Services

For the three months ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Revenue	**2,127**	2,925	(798)
Cost of goods sold	**1,044**	2,014	(970)
Gross profit	**1,083**	911	172
Gross margin %	***50.9%***	*31.1%*	*19.8%*

For the three months ended December 31, 2022, gross profit in the Manufacturing and Services segment was $1,083, representing a gross margin of 50.9%, compared to $911 and 31.1%, respectively, for the three months ended December 31, 2021. The increase of $172 in gross profit and 19.8% in gross margin were mainly driven by a favorable product mix and cost efficiencies, partly offset by lower segment revenue and a lower benefit from government subsidies.

Selling, General and Administrative

SG&A expenses for the three months ended December 31, 2022 were $2,776 compared to $3,018 for the three months ended December 31, 2021, representing a decrease of $242. The decrease was mainly driven by lower advertising and promotion, and share-based compensation costs, partly offset by higher headcount-related expenses and a lower benefit from government subsidies.

Interest

For the three months ended December 31, 2022, net interest income was $68, compared to net interest expense of $14 for the three months ended December 31, 2021. The net variance of $82 was primarily related to interest accretion and incremental interest earned as a result of higher market interest rates, and by the interest savings from the early repayment of the Debentures in Q2-22.

Foreign Exchange (Gain) Loss

For the three months ended December 31, 2022, we recorded a net foreign currency gain of $131 compared to a net foreign currency loss of $70 for the three months ended December 31, 2021. These 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 $1,788 related to the Cantabria Agreement denominated in euros.

Income before Income Taxes

For the three months ended December 31, 2022, income before income taxes was $720 compared to $1,039 for the three months ended December 31, 2021. The decrease of $319 was mainly attributable to the overall net decrease in gross profit across our segments of $766, partly offset by lower SG&A expenses of $242 and the favourable movement in net foreign exchange gain of $201 year-over-year.

EBITDA and Adjusted EBITDA Reconciliation

The following table provides a reconciliation between net income, as reported in accordance with IFRS, and EBITDA and Adjusted EBITDA, for the three months ended December 31, 2022 and 2021. Refer to the section entitled *Income before Income Taxes* for details.

For the three months ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Net income	**1,178**	943	235
Adjust for:			
Depreciation and amortization	**377**	347	30
Interest (income) expense, net	**(68)**	14	(82)
Deferred income tax (recovery) expense	**(458)**	96	(554)
EBITDA	**1,029**	1,400	(371)
Adjust for:			
Share-based compensation	**48**	123	(75)
Foreign exchange (gain) loss	**(131)**	70	(201)
Share of (profit) loss of an associate	**27**	(8)	35
Net loss on convertible note measured at fair value through profit or loss	**24**	**-**	24
Adjusted EBITDA	**997**	1,585	(588)

Consolidated Statement of Cash Flows

For the three months ended December 31,	2022	2021	Change
In thousands of CAD	**$**	$	$
Net income	**1,178**	943	235
Items not involving cash flows	**14**	786	(772)
Cash from operations	**1,192**	1,729	(537)
Net change in non-cash working capital	**(3,407)**	(2,198)	(1,209)
Cash used in operating activities	**(2,215)**	(469)	(1,746)
Cash used in investing activities	**(74)**	(222)	148
Cash used in financing activities	**(221)**	(194)	(27)
Effect of foreign exchange rates on cash and cash equivalents	**10**	(20)	30
Net change in cash and cash equivalents during the period	**(2,500)**	(905)	(1,595)
Cash and cash equivalents beginning of the period	**10,738**	12,236	(1,498)
Cash and cash equivalents, end of the period	**8,238**	11,331	(3,093)

Cash used in operating activities was $2,215 for the three months ended December 31, 2022, compared to $469 used in the three months ended December 31, 2021. The year-over-year decrease of $1,746 was a result of the unfavourable movement of $1,209 in non-cash working capital items year-over-year and the decrease in cash from operations of $537. The net investment in non-cash working capital items was $(3,407) in Q4-22, compared to a net investment of $(2,198) in Q4-21, with the net variance primarily due to the increase in inventories to meet planned demand year-over-year. Working capital inflows and outflows will always have an impact on the cash flow from operating activities.

Cash used in investing activities totaled $74 for the three months ended December 31, 2022, compared to $222 for the three months ended December 31, 2021, mainly reflecting investments in equipment in our plant and laboratories to support the growth in our Manufacturing segment.

For the three months ended December 31, 2022, we used $221 in financing activities: $99 for payments of principal under our manufacturing and office facility lease ($89 in Q4-21); $72 for the repurchase for cancellation of 107,590 Common Shares ($55 for repurchases for cancellation of 85,492 Common Shares in Q4-21); and $50 in connection with the acquisition of the Alyria product line ($50 in Q4-21).

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 3 – *Summary of Significant Accounting Policies* to the 2022 Consolidated 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 Financial Statements.

Fair Value Measurement of Convertible Note
The Company purchased a secured convertible promissory note from The Best You which qualifies as a financial asset measured at fair value through profit or loss (level 3). The fair value of the convertible note is remeasured at each reporting period using a discounted cash flow model. A degree of judgment is required in estimating future product sales and establishing a discount rate. Changes in assumptions relating to these inputs to the model could affect the reported fair value of the convertible note. Refer to Note 12 – *Investment in an Associate and Convertible* and Note 25 – *Financial Instruments and Risk Management* to the Company's 2022 Consolidated Financial Statements.

Multiple elements in out-licensing agreements
The Company enters into licensing and collaboration agreements for product development, licensing, supply and distribution for its commercial products, patented technologies, and pipeline products. Each agreement is distinct and could contain specific clauses that may lead to different accounting conclusions. The terms of the agreements may include non-refundable upfronts and licensing fees, pre- and post-commercialization milestone payments, royalties and guaranteed minimum royalties on any future product sales derived from such collaborations, and product sales under supply agreements. Management analyzes each agreement to identify all performance obligations, determine and allocate the transaction price on a relative stand-alone selling price basis and recognize revenue on the achievement of revenue recognition criteria. The non-standard nature of these agreements gives rise to the risk that revenues could be misstated due to the complexity of the multi-element licensing and collaboration contracts.

Inventory Valuation
The Company values inventory at the lower of cost, where cost is determined on a standard cost basis (which approximates the actual cost on a FIFO basis), and replacement cost for raw materials and packaging components, and the lower of cost and net realizable value for finished goods. In determining net realizable value, the Company considers such factors as yield, shelf life and expiry of finished goods, turnover, or aging, expected future demand and historical experience. A change in the underlying assumptions related to these factors could affect the valuation of inventory and have a corresponding effect on the cost of sales and profit or loss.

Management reviews the carrying value of inventories at each reporting date. As part of the review, management is required to make certain assumptions when determining expected realizable values and estimates an allowance for obsolescence based on product life and forecasted sales. Any write downs in value may be reversed if the circumstances which caused them cease to exist. Refer to Note 6 - *Inventories,* to our 2022 Consolidated Financial Statements, for details on inventory write downs.

Share-based Payments
The Company measures the cost of share-based payments, either equity or cash-settled, by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. In addition, cash-settled share-based payments are revalued to fair value at every reporting date.

Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of share-based payments, such as incentive stock options and share appreciation rights ("SARs"), the Company uses the Black-Scholes option pricing model.

Several assumptions are used in the underlying calculation of fair values of the Company's stock options and SARs using the Black-Scholes option pricing model, including the expected life of the option, stock price volatility and forfeiture rates. Details of the assumptions used are included in Note 19 – *Share-based Compensation and Other Share-based Payments* to our 2022 Consolidated Financial Statements.

Valuation of Deferred Income Tax Assets
Management uses estimates when determining income tax provisions and deferred income tax assets. Significant judgment is required to determine the probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget process by jurisdiction on an undiscounted basis. Management also exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies. Changes in market conditions, changes in tax legislation, patent challenges and other factors could adversely affect the probable future taxable profits. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

Eight Quarter Summary - Selected Financial Information

As at and for the three months ended,	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021
In thousands of CAD except per share data and number of shares	**$**	**$**	$	$	$	$	$	$
Revenue by Segment								
Commercial Skincare	**2,422**	1,672	2,392	1,536	2,270	1,563	1,869	1,767
Licensing and Royalties	**1,481**	92	227	-	2,367	319	475	806
Manufacturing and Services	**2,127**	4,268	3,893	3,415	2,925	1,111	605	692
Revenue	**6,030**	6,032	6,512	4,951	7,562	2,993	2,949	3,265
Profitability								
Gross profit	**3,885**	2,938	3,647	2,712	4,651	1,525	1,722	2,116
Total operating expenses	**3,313**	2,805	3,447	3,088	3,536	2,385	2,399	2,413
Net income (loss)	**1,178**	195	(37)	(474)	943	(900)	(712)	(436)
Adjusted EBITDA[1]	**997**	512	646	66	1,585	(471)	(269)	87
Share information								
Earnings (loss) per share								
Basic	**$ 0.06**	$ 0.01	$ (0.00)	$ (0.02)	$ 0.04	$ (0.04)	$ (0.03)	$ (0.02)
Diluted	**$ 0.06**	$ 0.01	$ (0.00)	$ (0.02)	$ 0.04	$ (0.04)	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding								
Basic	**20,392**	20,627	20,814	20,937	21,016	20,761	20,613	20,627
Diluted	**20,643**	20,912	20,814	20,937	22,295	20,761	20,613	20,627
Financial Position								
Cash and cash equivalents	**8,238**	10,738	10,502	11,742	11,331	12,236	13,083	13,944
Total assets	**28,484**	27,711	27,793	29,415	28,923	28,023	27,740	28,696
Total non-current financial liabilities[2]	**1,331**	1,406	1,495	1,583	1,672	1,796	1,879	2,900

[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. On March 15, 2021, the Company amended the lease for its manufacturing and office facility resulting in an adjustment of $1,944 to the lease obligation. Starting June 30, 2021, convertible debentures were presented as part of current liabilities given a maturity date of June 30, 2022. 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 December 31, 2022. The CEO and the CFO concluded that, based on this evaluation, the Company's disclosure controls and procedures and internal controls over financial reporting were adequate and effective, at a reasonable level of assurance.

Risk Factors

The following specific risk factors could materially affect our business. An investor should carefully consider these risks 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 following risks, the Company's business, financial condition, results of operations and consequently, the price of our Common Shares, could be seriously affected.

Risks Related to the Company's Business

Ability to Implement the Company's Growth Strategy
The Company's strategy is to increase revenue through its Four-Pillar Growth Strategy (as described in *Corporate Overview*). To successfully execute this strategy, the Company must develop and implement effective marketing campaigns for its commercial products and fill its CDMO order backlog with new and existing client orders to grow organically, and aggressively pursue and successfully close business development opportunities to secure strategic acquisitions and/or licensing agreements. The Company must also expand its product offering either by introducing innovative products or by in-licensing complementary products or assets. The successful execution of these strategies is not assured. The inability to do so may limit the overall growth of the Company's business and hinder its cash flow.

Acquisition and Integration of Complementary Assets or Businesses
The Company plans to continue to pursue and evaluate product or business acquisitions that could complement or expand its existing business under its Four-Pillar Growth Strategy. However, it may not be able to identify appropriate acquisition candidates. If an acquisition candidate is identified, the Company will conduct business, legal and financial due diligence with the objective of identifying and evaluating material risks involved in any acquisition. Despite its best efforts, the Company may not detect and or evaluate all such risks.

Crescita may enter into negotiations for an acquisition but determine not to, or be unable to, complete any particular acquisition or other arrangement, which could divert management's attention from the ongoing development of the Company's business, and result in substantial out-of-pocket costs, and other adverse consequences. For example, the market price of the Company's Common Shares may reflect a market assumption that such transactions will occur, and a failure to complete such transactions could result in a general negative perception by the market leading to a decline in the price of its Common Shares. In addition, significant transaction costs may be payable by the Company whether or not such transactions are completed.

Should an acquisition occur, the Company may not be able to successfully integrate the businesses, products, technologies, or personnel that are acquired, or may potentially lose key employees, particularly those of the acquired organizations, all of which may harm its business. Moreover, the Company may never realize the anticipated benefits of an acquisition or forecasted sales.

These acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated or to achieve anticipated benefits and success, expose it to increased competition or challenges with respect to its products or geographic markets, and expose it to additional or unexpected liabilities associated with an acquired business, product, technology or other asset or arrangement.

In connection with an acquisition, the Company may acquire goodwill and other long-lived assets that are subject to value impairment tests, which could result in future value impairment charges. Finally, to the extent the Company issues Common Shares or other rights to finance any acquisition, existing Company shareholders may be diluted.

Reliance on Third Parties for the Marketing and Commercialization of our Prescription Products

The Company relies on marketing arrangements, including joint ventures, licensing or other third-party arrangements to distribute its products in jurisdictions where it does not have geographic presence, resources or expertise. Even if acceptable and timely marketing arrangements are available, the products may not be accepted, or sales may not grow even if initially accepted.

The Company has minimal or no influence on the sales and marketing activities for Pliaglis in the jurisdictions which have been licensed to its commercial partners, as these decisions are or will be made independently by them in each of the territories, when the product gains regulatory approval or is launched. There can be no assurance that the Company's partners will dedicate the necessary resources to successfully market and distribute the Company's products and maximize sales. Our licensing partners may make marketing and other commercialization decisions without our input and may not perform in the anticipated manner. As a result, many of the variables that may affect the Company's results of operations, financial condition and cash flows may not be exclusively within its control. In addition, under these arrangements, disputes could arise with respect to payments that the Company or its partners believe are due under distribution or marketing agreements, or a partner or distributor may develop or distribute products that compete with the Company's products or terminate the relationship.

Moreover, the Company depends on its partners and licensees to comply with all legislation and regulation relating to selling the Company's products in their respective jurisdictions. If any of the Company's partners fails to comply, this could have a material impact on the cash flows of the Company.

License Revenue from a Limited Number of Distribution Agreements

The Company currently generates licensing revenue from a limited number of distribution agreements, which is entirely derived from royalties earned on the global sales of Pliaglis, as well as from sales and development milestones under the various arrangements. In Fiscal 2022, the Company earned $1,800 in licensing revenue representing 7.7% of the Company's consolidated revenue, of which $1,359 (US$1,000) was from minimum guaranteed royalties under the Taro Agreement. There can be no assurance that Taro will not terminate the Taro Agreement which would terminate the minimum royalty payments. There can be no assurance that the Company's partners' sales and marketing efforts will be successful, or that they will continue to allocate the same level of resources to promote the product and that pharmacies and medical clinics will continue to purchase the product for resale to their own customers. A decrease in our partners' sales, marketing efforts or the loss of a significant partner in a territory could have a materially negative impact on the Company's business conditions and results of operations.

Sales, Marketing and Distribution of Skincare Products
To successfully commercialize its skincare products, the Company must devote sufficient resources to develop and maintain an effective sales, marketing and distribution infrastructure or enter collaborations to perform some or all these activities on behalf of the Company. The Company may be unable to devote the resources necessary to develop and maintain suitable sales, marketing and distribution infrastructure. The Company distributes its skincare products primarily through a network of professional aestheticians, spas, medispas, medical clinics, international distributors and e-commerce platforms. The Company's business would be harmed if any of its customers or distributors became unable or unwilling to distribute the Company's skincare products on terms commercially favourable to the Company. Distribution partners could decide to change their policies or fees, or both, in the future. This could result in their refusal to distribute certain products, or cause higher product distribution costs, lower margins, or the need to find alternative methods of distributing products. Such alternative methods may not exist or may not be economically viable.

Factors that may inhibit the Company's efforts to grow or maintain an internal sales, marketing and distribution infrastructure or its ability to successfully commercialize its skincare products include:

- lack of sufficient financial resources;
- inability to recruit or retain effective sales and marketing personnel;
- inability of marketing and sales personnel to generate and secure demand for its skincare products;
- lack of complementary products, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with maintaining and expanding a sales and marketing team.

Skincare Product Sales Adversely Affected by Factors Impacting our Customers' Businesses
The Company primarily operates using a business-to-business business model. Factors that adversely impact our customers' businesses may have an adverse effect on our business, prospects, results of operations, financial condition, and cash flows. These factors may include, but are not limited to:

- A reduction in consumer traffic and demand for our products at spas or medispas due to economic downturns or changes in consumer preferences;
- Credit risks associated with the financial condition of our customers;
- The effect of consolidation or weakness in the wellness and aesthetics industry, including the closure of customer doors and the resulting uncertainty;
- The changing purchasing habits from spas and retail outlets to online and social media platforms; and
- Inventory reduction initiatives and other factors affecting customer buying patterns, including any reduction in retail space committed to skincare products and retailer practices used to control inventory shrinkage.

E-Commerce and the Use of Social Media
In 2020, the Company launched its first e-commerce platform, through which it sells its dermocosmetic brands directly to consumers. In 2021, the Company added additional resources to build its online presence and will continue to do so in the future.

The usability of, confidentiality of, and customer experience provided by, our online shopping platform is critical to the success and growth of our e-commerce business. Some of our competitors already have e-commerce businesses that are substantially larger and more developed than ours. Moreover, e-commerce is a rapidly changing channel and many of our competitors update their e-commerce business on an ongoing basis to match consumer preferences.

Any extended software disruption of our e-commerce business or a failure on our part to maintain the privacy of customer data and provide an attractive, effective, reliable, user-friendly e-commerce business could expose us to fraudulent transactions, place us at a competitive disadvantage, result in the loss of sales or harm our reputation with customers and could have a material adverse effect on our growth, our business and our results of operations.

In addition, we use the internet and social media networks including Facebook and Instagram to reach consumers and provide education about our products and on important topics related to skincare. Negative commentary regarding us or our products may be posted on social media platforms which could have an adverse effect on our reputation or business. Our target consumers often value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction.

Lastly, an increase in the use of social media for product promotion and marketing may cause an increase in the burden on us to monitor compliance of such materials and increase the risk that such materials could contain problematic product or marketing claims in violation of applicable regulations. The inability of or failure by us to timely or properly monitor all product promotion conducted online or through social media or elsewhere may also subject us to regulatory action, lawsuits, liability, fines, or other penalties and have a material adverse effect on our business, financial condition or results of operations.

Potential Product Safety, Efficacy and Liability Concerns

The Company's success depends, in part, on the quality, efficacy and safety of its marketed and commercialized products. If products are found or alleged to be defective or unsafe, whether or not scientifically justified, or if they fail to meet consumer or regulatory standards, the Company could lose sales, be forced to recall or withdraw its products, or become subject to labeling revisions, any of which could have a material adverse effect on the business, prospects, results of operations, financial condition or cash flows. The Company may also be subject to product liability claims associated with the use of its products and there can be no assurance that liability insurance will continue to be available on commercially reasonable terms or at all. Product liability claims might also exceed the amounts or fall outside of such coverage. Product liability claims against the Company, regardless of their merit or potential outcome, could be costly and divert management's attention from other business matters or adversely affect its reputation and the demand for its products.

In addition, certain drug and skincare retailers and distributors require minimum liability insurance as a condition of purchasing or accepting products for retail or wholesale distribution. Failure to satisfy such insurance requirements could impede the ability of the Company or its potential partners in achieving broad retail distribution of its products, resulting in a material adverse effect on the Company.

Personnel

The Company is highly dependent upon a relatively small group of key personnel and other skilled staff for its sales, marketing, manufacturing, scientific research and development departments and executive management teams. The loss of the services of one of more of the Company's skilled staff or senior executive officers could have a material adverse effect on the Company, its operations and its ability to execute its strategy successfully. The Company's anticipated growth may require additional expertise and the addition of new qualified personnel. The Company faces intense competition for such personnel. It may not be able to attract and retain the qualified personnel necessary for the development and growth of its business. The Company does not maintain "key-person" insurance on any of our key employees.

In addition, from time to time, Crescita may enlist the help of temporary workers through various third-party agencies in fulfilling its manufacturing agreements. The Company has observed an increase in manufacturing volumes since 2021, which it anticipates may continue, and in turn, may increase its reliance on third-party agencies. Such third-party agencies may not be able to supply adequately trained manufacturing and packaging staff on a timely basis or at all, given the intense competition for such workers and the overall shortage of personnel in the current labour market.

Reimbursement, U.S. Formulary Listing and Product Pricing for Prescription Drug Products
There can be no assurance that Pliaglis will receive reimbursement coverage in any jurisdiction. In the U.S., Canada and other countries, sales of Pliaglis may depend, in part, upon the availability of reimbursement from third-party payers, which include government health authorities, managed care organizations and other private health insurers. Increasingly, government and other third-party payers are attempting to contain expenditures for new therapeutic products by limiting or refusing coverage, limiting reimbursement levels, imposing high co-pays, requiring prior authorizations, and implementing other measures. Inadequate coverage or reimbursement could adversely affect market acceptance of Pliaglis.

Moreover, the trend toward managed healthcare in the U.S., the growth of organizations such as health maintenance organizations and reforms to healthcare and government insurance programs, could significantly influence the purchase of healthcare services and products, resulting in lower prices and reduced demand for Pliaglis. Furthermore, even after approval for reimbursement for the Company's products is obtained from private health coverage insurers or government health authorities, it may be removed at any time. In addition, managed care organizations and pharmacy benefit managers in the U.S. typically develop formularies to reduce their cost for medications. Due to their lower costs, generic products are often favored. The breadth of the products covered by formularies varies considerably from one managed care organization to another, and many formularies include alternative and competitive products for treatment of particular medical conditions.

In some countries, particularly the countries of the E.U., the pricing of prescription pharmaceuticals is subject to government control. In these countries, pricing negotiations with governmental authorities can take considerable time and potentially delay the introduction of a product to the market. To obtain reimbursement or pricing approval in some countries, the Company may be required to conduct a clinical trial that compares the cost effectiveness of its product candidate to other available therapies. If reimbursement of the Company's product is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, its business could be adversely affected. In addition, any country could pass legislation or change regulations affecting the pricing of pharmaceuticals before or after a regulatory agency approves any of its product candidates for marketing in ways that could adversely affect the Company.

Manufacturing and Supply Risks
The Company purchases key raw materials necessary for the manufacture of its products from a limited number of suppliers around the world. Increases in the costs of goods, interruptions in supply of product or lapses in quality could adversely impact the Company's margins, profitability and cash flows.

The Company is reliant on its third-party contract manufacturing organizations ("CMOs") and suppliers of raw materials and manufacturing components to maintain their facilities in compliance with various countries' regulatory authorities. If the CMO or suppliers fails to maintain compliance with regulatory authorities, they could be ordered to cease manufacturing, which would have a material adverse impact on the Company's business, results of operations, financial condition, and cash flows.

If the relationships with the CMOs or any of the single-sourced suppliers is discontinued or, if any manufacturer is unable to supply or produce required quantities of product on a timely basis or at all, or if a supplier ceases production of an ingredient or component, the operations would be negatively impacted, and the business would be harmed.

In the case of Pliaglis, the Company relies on licensing partners to manufacture the product. There are a limited number of manufacturing facilities qualified and approved to manufacture Pliaglis for the various territories where it is commercialized. A disruption in supply or inability to manufacture and supply the product at one of the qualified facilities could adversely impact the ability of Crescita and our licensing partners to commercialize the product.

More specifically, the Company relies on Taro and Cantabria to maintain the facilities at which they manufacture Pliaglis in compliance with Therapeutic Products Directorate ("TPD"), FDA, European Medicines Agency ("EMA"), state and local regulations and other regulatory agencies. If they fail to maintain compliance with FDA, EMA or other critical regulations, they could be ordered to cease manufacturing, which would have a material adverse impact on the Company's business, results of operations, financial condition and cash flows. In addition to FDA regulations, violation of standards enforced by the Environmental Protection Agency

("EPA"), the Occupational Safety and Health Administration ("OSHA") and their counterpart agencies at the state level, could slow down or curtail operations of Taro and Cantabria.

In addition, the FDA and other regulatory agencies require that raw material manufacturers comply with all applicable regulations and standards pertaining to the manufacture, control, testing and use of the raw materials as appropriate. For the APIs or critical raw materials depending on the drug product, this means compliance to cGMPs for APIs and submission of all data related to the manufacture, control and testing of the API for quality, purity, identity and stability, as well as a complete description of the process, equipment, controls and standards used to produce the API. This is usually submitted to the FDA in the form of a drug master file ("DMF") by the manufacturer and referenced by the sponsor of the New Drug Application ("NDA"). The DMF information and data is reviewed by the FDA as a critical component of the approval of the NDA.

As a result, in the case where only one supplier of a particular API or critical raw material meets all the FDA's (or other regulatory agencies') requirements and has a DMF (or similar filing) on file with the FDA, the Company will be at risk should a supplier violate cGMPs, fail an FDA inspection, terminate access to its DMF, be unable to manufacture product, choose not to supply the Company or decide to increase prices. Pliaglis contains the APIs lidocaine and tetracaine and in the past the form of tetracaine used in the product has, at times, been difficult to procure.

In addition, the Company could be subject to various import duties applicable to both finished products and raw materials and it may be affected by other import and export restrictions, as well as developments with an impact on international trade. Under certain circumstances, these international trade factors could affect manufacturing costs, which will in turn affect the Company's margins, as well as the wholesale and retail prices of manufactured products.

Concentration of Manufacturing Capacity

The Company manufactures most of its products, including both cosmetic (NHP) and DIN products, as well as all the products for its CDMO business at its facility in Laval, Québec. This exposes the Company to the following risks, any of which could delay or prevent the commercialization of its products or cause the failure of delivery of products to clients under any of its third-party manufacturing contracts, resulting in higher costs or depriving the Company of potential revenues:

- the Company may encounter difficulties in achieving volume production, quality control and quality assurance, as well as relating to shortages of qualified personnel. Accordingly, the Company might not be able to manufacture enough quantities to meet commercial demand for its products and demands under new and existing CDMO agreements;
- the Company's manufacturing facilities are required to undergo satisfactory cGMPs inspections prior to regulatory approval and are obliged to operate in accordance with Health Canada and other nationally mandated cGMPs, which govern manufacturing processes, stability testing, record keeping and quality standards. Failure to establish and follow cGMPs and to document adherence to such practices, may lead to significant delays in the availability of products manufactured by the Company; and
- changing manufacturing locations would be difficult and the number of potential manufacturers is limited. For some products, changing manufacturers generally requires re-validation of the manufacturing processes and procedures in accordance with E.U. and other nationally mandated cGMPs. Such re-validation would be costly and time consuming. It would be difficult or impossible to quickly find replacement manufacturers on acceptable terms, if at all.

The Company's manufacturing facilities are subject to periodic unannounced inspection by Health Canada and other government agencies, and may be subject to inspection by local, provincial and federal authorities from various jurisdictions to ensure strict compliance with cGMPs and other government regulations. If the Company or a regulatory agency discovers issues with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions relative to that product or the manufacturing facility, including requiring recall or withdrawal of the product from the market or suspension of its manufacturing license.

Failure by the Company to comply with applicable regulations could also result in sanctions being imposed on it, including fines, injunctions, civil penalties, failure of the government to grant review of submissions or market approval of products, delays, suspension or withdrawal of approvals and criminal prosecutions, any of which could materially adversely affect the Company's business.

Shortening Life Cycles and our Ability to Manage Inventory
The competitive nature of the aesthetics industry and rapidly changing consumer preferences require constant product innovation and have led to the shortening of product life cycles. As a result, the Company monitors inventories based on forecasted demand, the estimated market value and shelf life of inventory and historical experience. If the Company misjudges consumer preferences or demands or future sales do not reach forecasted levels, the Company could have excess inventory that may not be needed, may need to be held for a long period-of-time, written down, sold at prices lower than expected or discarded. If the Company is not successful in managing inventory, the business, results of operations, financial condition or cash flows could be adversely affected.

Need for Additional Financing
At December 31, 2022, the Company had cash and cash equivalents of $8,238, as well as up to an additional $3,500 available under its revolving credit facility, of which no amounts were drawn at year-end. During fiscal 2023, the Company expects to continue incurring expenses and making certain strategic investments as it executes its Four-Pillar Growth Strategy. Additional funding may be required for the development of new products or for future potential acquisitions. Unexpected increases in the Company's costs and expenses due to operational decisions taken by management or factors beyond the Company's control could cause its cash resources to be depleted and profitability may not be achieved.

There can be no assurance that the Company will have enough capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings. In addition, the credit ratings that the Company might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional debt or equity financing will be available on acceptable terms or at all.

If adequate funds are not available, the Company may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations, all of which would have a materially adverse effect on the Company's financial position, results of operations and cash flows.

Inability to Achieve Recurring Profitability
The Company had an accumulated deficit of $40,613 as at December 31, 2022. The Company has incurred losses in the past and may continue to incur losses in the future as a result of its inability to identify and secure recurring revenue streams from its licensing arrangements or from organic growth of its core businesses, or due to increased operating costs including the costs of operating as a public company. There is no guarantee that Crescita will be able to achieve recurring profitability in the future. Crescita has never paid a dividend on its Common Shares and does not expect to do so in the foreseeable future. The Company's inability to achieve and maintain profitability could depress the market price of its shares and could impair its ability to raise capital, expand its business and product pipeline and continue its business operations.

Inability to Meet Debt Commitments
As at the date of this MD&A, the Company had no long-term debt obligations on its balance sheet. The Company may incur future debt obligations that might subject it to restrictive covenants that could affect its financial and operational flexibility. Further, any restrictions governing the Company's indebtedness may prevent it from taking actions in the best interest of its business and may make it difficult for Crescita to execute its business strategy successfully or effectively compete with companies that are not similarly restricted.

Disease Outbreaks
The occurrence of an illness that leads to or is anticipated to lead to a local, regional, or national outbreak or epidemic, or to an international outbreak or pandemic, such as Middle East Respiratory Syndrome ("MERS-CoV"), Severe Acute Respiratory Syndrome ("SARS"), Ebola ("EVD"), H1N1 influenza virus, avian flu, or most notably, the recent novel coronavirus ("COVID-19"), or any similar illness, could affect our business.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian Federal and Provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines, caused material disruption to businesses globally and in Canada resulting in an economic slowdown. The ongoing COVID-19 pandemic, including the emergence of new variants, and the rapidly evolving reaction of governments and the public in an effort to contain the spread of COVID-19 (and variants thereof) and/or address its impacts have had significant direct and indirect effects on businesses and commerce generally, including disruption to supply chains, employee base, facilities closures and production suspensions, and significantly increased demand for certain goods and services, such as pandemic-related medical services and supplies, alongside decreased demand for others, such as retail, hospitality, travel and elective surgery.

We sell our dermocosmetic products mainly through a direct sales force that meets face-to-face with spa and medispa owners as well as physicians. Such establishments were considered non-essential by public health authorities throughout the pandemic and were therefore subject to prolonged temporary closures in 2020 and 2021. While vaccination rates have increased in Canada, there remains a risk of lower product sell-through, due to potential closures, should governments reintroduce strict sanitary measures due to COVID-19 variants of concern.

As a result of increased remote working arrangements due to a pandemic, the exposure to, and reliance on, networked systems and the internet has increased. This can lead to increased risk and frequency of cybersecurity incidents (see "*Security and Cyber Security Breaches*").

The extent and duration of the pandemic, the reactions of governments, and the public to that pandemic and the associated disruption to business and commerce generally, and the extent to which these may impact our business, financial condition, cash flows and results of operations in particular, will depend on future developments which are highly uncertain and many of which are outside our control and cannot be predicted with confidence.

Such developments include the ultimate geographic spread and duration of the pandemic, the availability and effectiveness of vaccines for COVID-19, vaccine hesitancy, the extent and duration of a resurgence of the COVID-19 virus and variant strains thereof, new information which may emerge concerning the severity of COVID-19, the effectiveness and intensity of measures to contain COVID-19 and/or address its impacts, and the economic impact of the pandemic and the reactions to it. Such developments, among others, depending on their nature, duration and intensity, could have a significant adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common shares and/or debt securities to decline and may exacerbate other risk factors disclosed in this MD&A.

Security and Cybersecurity Breaches

The Company has implemented security protocols and systems with the intent of maintaining the physical and electronic security of its operations and protecting its confidential information and information related to identifiable individuals against unauthorized access. Despite the implementation of security measures, the Company's information systems and those of its contractors and consultants on which we rely, are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication electrical failures, cyber-attacks or cyber-intrusions over the internet, and attachments to emails. Cyber-attacks are increasing in frequency, sophistication and intensity and are made by groups and individuals with a wide range of motives and expertise. Cyber-attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, worms, social engineering, improper modification of information, fraudulent "phishing" e-mails and other means to affect service reliability or threaten data confidentiality, integrity, or availability.

Techniques used in these attacks are often highly sophisticated, change frequently and may be difficult to detect for long periods of time. Unauthorized physical access to one of the Company's facilities, cyber-attacks, or electronic access to its information systems could result in, among other things, unfavourable publicity, litigation by affected parties, damage to sources of competitive advantage, disruptions to its operations, loss of proprietary information, customer information and customers, financial obligations for damages related to the theft or misuse of such information and costs to remediate such security vulnerabilities, any of which could have a substantial impact on the Company's results of operations, financial condition or cash flows.

Hazardous Materials and Environmental Laws
The Company's products involve the use of potentially hazardous materials, and as a result, it is exposed to potential liability claims and costs associated with complying with laws regulating hazardous waste. Product development and manufacturing activities involve the use of hazardous materials, including chemicals, and are subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and waste products. Accidental injury or contamination from these materials may occur. In the event of an accident, the Company could be held liable for any damages, which could exceed its available financial resources. In addition, the Company may be required to incur significant costs to comply with environmental laws and regulations in the future.

Impact of Natural Disasters or Other Events that Disrupt our Business Operations
Natural disasters, pandemics or similar events, such as influenza or other pandemic illnesses, blizzards, fires or explosions or large-scale accidents or power outages, could disrupt the Company's supply chains, markets for its products and its operations or otherwise have a material adverse effect on the Company's business, results of operations, financial condition and prospects. If a disaster, power outage or similar event occurred that prevented us from using all or a significant portion of the Company's facilities or those of its business partners, or that damaged the Company's infrastructure or that otherwise disrupted operations, it may impede our business or operations for a substantial period-of-time.

Scope of International Operations
The Company conducts business internationally, including in the U.S., Europe and Asia, to research, develop, market, distribute or manufacture certain of its products and potential products. The Company may expand such operations in the future. Participation in international markets requires resources and management's attention and subjects the Company to business risks, including the following:

- unique regulatory requirements for approval of its product candidates;
- dependence on local distributors;
- cultural and language differences;
- longer payment cycles and problems in collecting accounts receivable;
- adverse changes in trade and tax regulations;
- absence or substantial lack of legal protection for intellectual property rights;
- difficulty in managing widespread operations including limited access to qualified personnel;
- political and economic instability;
- increased costs and complexities associated with financial reporting;
- currency risks; and
- inflationary pressures.

Similarly, adverse economic conditions impacting the Company's customers or uncertainty about global economic conditions could cause purchases of its products to decline, which could adversely affect the Company's revenues and operating results. The occurrence of any of these or other international factors may cause the Company's international operations to be unsuccessful, could lower the prices at which it can sell its products or otherwise have an adverse effect on its operating results.

Russia-Ukraine Military Conflict
In February 2022, Russian military forces invaded the Ukraine. This ongoing military conflict has provoked strong reactions from the United States, the United Kingdom, the European Union and various other countries around the world, including the imposition of broad financial and economic sanctions against Russia, which may have far reaching effects on the global economy. While the precise effects of the ongoing military conflict and the retaliatory measures that have been taken, or could be taken in the future, remain uncertain, they have already resulted in significant volatility in financial markets, a rise in energy and commodity prices globally, and created worldwide security concerns that could have a lasting impact on regional and global economies.

Crescita has a commercialization and development license agreement for eastern Europe with Egis Pharmaceuticals PLC for the exclusive right to market Pliaglis in the following territories: Hungary, Bulgaria, Czech Republic, Slovakia, Poland, Latvia, Lithuania, and Russia. At this time, Egis has not made any regulatory submissions for Russia. As for the other territories covered in the agreement, they may be affected by supply chain and inflation concerns as a result of their proximity to the conflict area.

Taxation
The Company operates both locally and outside of Canada. As such, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments, the U.S. and certain other jurisdictions.

Significant judgment will be required in determining the Company's provision for income taxes and claims for investment tax credits ("ITCs") related to qualifying SR&ED expenditures in Canada. Various internal and external factors may have favourable or unfavorable effects on future provisions for income taxes and the Company's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, future levels of R&D spending and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on the Company's effective income tax rate.

The Company could be impacted by certain tax treatments for various revenue streams in different tax jurisdictions. The Company may be subject to withholding taxes on certain of its revenue streams. The withholding tax rates that were used were based on the interpretation of specific tax acts and related treaties. If a tax authority has a different interpretation from the Company's, it could potentially impose additional taxes, penalties, or fines. This would potentially reduce the amounts of revenue ultimately received by the Company.

Losses Caused by Fluctuations in Foreign Currency Exchange Rates
Foreign exchange risk exists when the Company receives or makes payments in foreign currencies, such as in U.S. dollars and in Euros. To that extent, fluctuations in the exchange rate of the Canadian dollar relative to other currencies could result in the Company realizing a lower than anticipated profit margin on sales of its products and product candidates than at the time of entering into such commercial agreements. Fluctuations in the value of the Canadian dollar against these foreign currencies can lead to adverse material effects on the Company's financial condition and results of operations and cash flows.

Litigation and Regulation
The Company may in the future become party to litigation, regulatory proceedings or other disputes. These potential claims include but are not limited to product liability, class action lawsuits, patent infringement, personal injury, breach of contract and lost profits or other consequential damage claims.

A significant judgment against the Company or the imposition of a significant fine or penalty or a finding that the Company has failed to comply with laws or regulations or a failure to settle any dispute on satisfactory terms, could have a significant adverse impact on the Company's ability to continue operations. Additionally, lawsuits and investigations can be expensive to defend, whether or not the lawsuit or investigation has merit, and the defense of these actions may divert the attention of the Company's management and other resources that would otherwise be engaged in running the Company's business.

Risks Related to our Industry

Competition
Non-Prescription Dermocosmetic Products
The dermocosmetic industry is highly competitive and can change rapidly due to consumer preferences and industry trends. Competition in the dermocosmetic industry is based on brand strength, pricing and assortment of products, point of sale presence and visibility, innovation, perceived value, product availability and order fulfillment, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce and mobile commerce initiatives and other activities. It is difficult to predict the timing and scale of the Company's competitors' actions in these areas. The Company's success depends on its products' appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change, and on its ability to anticipate and respond in a timely and cost-effective manner to market trends through product innovations, product line extensions and marketing and promotional activities.

As product life cycles shorten, the Company must continually work to develop, produce, and market product innovations and maintain and enhance the recognition of our brands.

Net revenues and margins on dermocosmetic products tend to decline as they advance in their life cycles, so net revenues and margins could suffer if the Company does not successfully and continuously develop new products. This risk is further compounded by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. Constant product innovation also can place a strain on our financial and personnel resources. The Company may incur expenses in connection with product innovation and development, marketing and advertising that are not subsequently supported by a sufficient level of sales. These factors, as well as new product risks, could have an adverse effect on our business, prospects, results of operations, financial condition or cash flows.

Prescription Drug Products

The pharmaceutical industry is characterized by evolving technology and intense competition. The Company is engaged in areas of research where developments are expected to continue at a rapid pace. Many companies, including major pharmaceutical and specialized biotechnology companies, are engaged in activities focused on medical conditions that are the same as or similar to those targeted by the Company.

The Company's success depends upon maintaining its competitive position in product development and formulation as well as its speed in commercializing its products. Competition from pharmaceutical, chemical and biotechnology companies, as well as universities and research institutes, is intense and is expected to increase. Many of these organizations have substantially greater product development, experience in manufacturing, marketing, financial and managerial resources and they represent significant competition. If the Company fails to compete successfully in any of these areas, its business, results of operations, financial condition and cash flows could be adversely affected.

The intensely competitive environment of the branded products business requires an ongoing, extensive search for medical and technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of branded products for their intended uses to healthcare professionals in private practice, group practices and managed care organizations. There can be no assurance that the Company and its drug development partners will be able to successfully develop medical or technological innovations or that the Company and its licensing partners will be able to effectively market the Company's existing products or any future products.

Additionally, the Company competes to acquire the intellectual property assets that are required to continue to develop and broaden its product portfolio. In addition to in-house product development efforts, the Company seeks to acquire rights to new intellectual property through corporate acquisitions, asset acquisitions, licensing and joint venture arrangements. Competitors with greater resources may acquire assets that the Company seeks, and even if the Company is successful, competition may increase the acquisition price of such assets. The Company's growth may be limited if it fails to compete successfully.

Competition from Generic Products

The Company's branded prescription products may face competition from generic versions, which are generally significantly cheaper than the branded version. In the U.S. and Canada, even if customers have a prescription for our product, a generic version where available, may be required or encouraged in preference to the branded version under third-party reimbursement programs. In addition, a pharmacist may recommend a less expensive product even if that product is less effective or designed for conditions different from what the customer is seeking to treat.

If sales of any of the Company's products that no longer enjoy market exclusivity or are not sufficiently protected by associated intellectual property were to increase substantially, competitors may be more likely to develop generic formulations that compete directly with such products. Generic competition with the Company's branded products would be expected to have a material adverse effect on net sales and profitability of the branded product and of the Company.

Additionally, generic competitors may attempt to market, sell or use generic versions of the Company's products for which the Company has an exclusive license. Where such generic competition emerges, the Company will take all appropriate legal steps to enforce its rights and/or commercial steps to protect its market share, but there can be no guarantee that the Company's market share for such products will not be negatively impacted.

New Product Launches May Fail to Achieve Market Acceptance

Our industry requires that our product lines be regularly rejuvenated with new product offerings and product innovations. Crescita has established a multi-disciplinary product development committee that screens and validates new products to be developed or existing products to be upgraded.

Nonetheless, each new product launch involves risks. For example, the acceptance of new product launches and sales to our network of professional aesthetic and medical aesthetic practitioners, consumers and / or physicians may not be as high as we anticipate, due to lack of acceptance of the products themselves or their price, or limited effectiveness of our marketing strategies. If any product commercialized by the Company does not provide a treatment regimen that is as beneficial as the current standard of care or otherwise does not provide consumer or patient benefits, there is the potential that it will not achieve market acceptance. In addition, our ability to launch new products may be limited by delays or difficulties affecting the ability of our suppliers or manufacturers to timely manufacture, distribute and ship new products or displays for new products or changes in regulatory requirements.

Sales of new products may be affected by inventory management and we may experience product shortages. We may also experience a decrease in sales of certain existing products as a result of newly-launched products. Any of these occurrences could delay or impede our ability to achieve our sales objectives, which could have a material adverse effect on our business, financial condition and results of operations.

As part of our ongoing growth strategy we expect to continue to introduce new products and innovations in our traditional product categories, while also expanding our product launches into adjacent categories in which we may have little to no operating experience, such as injectable neurotoxins, fillers, microneedling devices and mesotherapy. The success of product launches in adjacent product categories could be hampered by our relative inexperience operating in such categories, failure to establish new buyer relationships, the strength of our competitors or any of the other risks referred to above. Furthermore, any introduction of new products or expansion into new product categories may prove to be an operational and financial constraint which inhibits our ability to successfully accomplish such introduction or expansion. New product launches may also encounter difficulties in manufacturing or packaging leading to lower-than-expected margins. Our inability to introduce successful products in our traditional categories or in adjacent categories could limit our future growth and have a material adverse effect on our business, financial condition and results of operations.

Obtaining Government and Regulatory Approval

Non-Prescription Dermocosmetic Products

There are numerous categories of non-prescription dermocosmetic products in the U.S., Canada and in other regions around the world and the classification and regulatory requirements vary by jurisdiction. Some categories of products require a license and others can be sold without prior authorization. There is a risk that the regulatory authorities may not agree with the Company's classification of a given product nor allow it to be marketed based on the regulatory status, product labeling or marketing claims. Regulatory authorities also have the ability to inspect the related manufacturing facilities and can restrict product supply if the facility is deemed to not comply with relevant regulations. Any delay or failure to obtain regulatory approvals or to ensure compliance with relevant regulations for marketed products could adversely affect the Company's business, financial condition and operational results. Non-prescription skincare companies may also be subject to additional regulations covering occupational safety, manufacturing and laboratory practices, environmental protection and hazardous substance control. They may also be subject to existing and future local, provincial, state, federal and foreign regulation.

Canada
All cosmetics sold in Canada must contain appropriate ingredients, be safe to use, and must not pose health risks. They must also meet the requirements of the *Food and Drugs Act* and the *Cosmetic Regulations* which require that cosmetics sold in Canada be manufactured, prepared, preserved, packed, and stored under sanitary conditions. It is the manufacturer's responsibility to ensure that the products meet the requirements for cosmetics under the *Food and Drugs Act* and the *Cosmetic Regulations*. The manufacturer and importer must notify Health Canada that it is selling the product and provide a list of the product's ingredients.

Health Canada assesses all NHPs before allowing them to be sold in Canada. They also check that NHPs are properly manufactured (without contamination or incorrect ingredients) and perform post-market monitoring to make sure that NHP Regulations are being followed. If the product is found to be unacceptable for sale in Canada, Health Canada will take appropriate compliance and enforcement actions as deemed appropriate and the product may be referred to the Health Products and Food Branch ("HPFB") Inspectorate. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions including product seizures, injunction actions and criminal prosecutions.

United States
Cosmetic products (most non-prescription skincare products) and ingredients typically do not require FDA approval before they are marketed, but the FDA monitors the safety and marketing claims of marketed cosmetic products. The FDA can inspect manufacturing facilities to determine if proper controls and practices are being followed and they also work with U.S. Customs and Border Protection to examine imported cosmetics. If the FDA believes that a cosmetic product may not comply with the regulations, they can ask a federal court to issue an injunction, request that U.S. marshals seize the products, initiate criminal action, refuse entry of an imported cosmetic, or request that a company recall a product. Failure to comply with regulatory requirements could have a material adverse effect on the Company's business, financial condition and operational results.

Additional Regulatory Considerations
Additional local, provincial, state, federal and foreign regulations may apply in various territories around the world. Any delays in obtaining, or failure to obtain regulatory approvals or to maintain proper compliance with relevant regulations in Canada, the U.S., the E.U. or other foreign countries, may significantly delay the development and commercialization of the Company's products and the receipt of revenues from the sale of its products.

Prescription Drug Products
The research, testing, manufacturing, packaging, labeling, approval, storage, selling, marketing, and distribution of prescription drug products are subject to extensive regulation in the U.S. by the FDA, in Canada by the TPD and by similar regulatory authorities in the E.U. and elsewhere. Despite the time and expense exerted by the Company, failure can occur at any stage. The drug development process is time-consuming, may involve significant delays despite the Company's best efforts and can require substantial cash resources. Even after initial approval has been obtained, further research, including post-marketing studies and surveillance programs may be required. Moreover, regulations are subject to change and the Company cannot predict its ability to meet new or changing regulations. There is also a risk that the Company's products may be subject to recalls if there are product manufacturing or quality issues or be withdrawn from the market due to non-compliance with regulatory requirements.

There can be no assurance that the Company's products will prove to be safe and effective in clinical trials or receive the requisite regulatory approval in any market. Any delay or failure to obtain regulatory approvals could adversely affect the Company's business, financial condition and operational results. Pharmaceutical companies are also subject to additional regulations covering occupational safety, manufacturing and laboratory practices, environmental protection and hazardous substance control. They may also be subject to existing and future local, provincial, state, federal and foreign regulation. Failure to obtain necessary regulatory approvals, the restriction, suspension or revocation of existing approvals or any other failure to comply with regulatory requirements, could have a material adverse effect on the Company's business, financial condition and operational results.

United States
The FDA has substantial discretion in the drug approval process. The FDA may delay, limit or deny approval of a drug candidate for many reasons. The process of receiving FDA approval has become more difficult with

the requirement to submit a Risk Evaluation and Mitigation Strategy ("REMS") for certain drug products. Even once drug candidates are approved, these approvals may be withdrawn if compliance with regulatory standards is not maintained. In addition, the FDA has the authority to regulate the claims the Company's partners make in marketing its prescription drug products to ensure that such claims are true, not misleading, supported by scientific evidence and consistent with the product's approved labelling.

Failure to comply with applicable requirements can result in fines, suspensions or withdrawal of approvals, product seizures and injunctions against the manufacture, holding, distribution, marketing and sale of a product, and both civil and criminal sanctions.

Canada
The TPD may deny issuance of a Notice of Compliance ("NOC") for a New Drug Submission ("NDS") if applicable regulatory criteria are not satisfied or they may require additional testing. Product approvals may be withdrawn if compliance with regulatory standards is not maintained. The TPD may require further testing and surveillance programs to monitor a pharmaceutical product which has been commercialized. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions including product seizures, injunction actions and criminal prosecutions.

Risks Related to Research & Development Activities

Risk Related to Clinical Trials
The Company and its drug development partners must demonstrate, through preclinical studies and clinical trials, that the product being developed is safe and efficacious before obtaining regulatory approval for the commercial sale of the product. The results of preclinical studies and previous clinical trials are not necessarily predictive of future results and the Company's current product candidates may not have favourable results in later testing or trials. Preclinical tests and Phase 1 and Phase 2 clinical trials are primarily designed to test safety, to study pharmacokinetics and pharmacodynamics and to understand the side effects of products at various doses and schedules. Success in preclinical or animal studies and early clinical trials does not ensure that later large-scale efficacy trials will be successful and such success is not necessarily predictive of final results. Favourable results in early trials may not be repeated in later trials and positive interim results do not ensure success in final results. Even after the completion of Phase 3 clinical trials, the FDA, TPD, EMA or other regulatory authorities may disagree with the clinical trial design and interpretation of data and may require additional clinical trials to demonstrate the efficacy of product candidates.

Several companies in the biotechnology and pharmaceutical industries have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials and preclinical studies. In many cases where clinical results were not favourable, were perceived negatively or otherwise did not meet expectations, the share prices of these companies declined significantly. Failure to complete clinical trials successfully and to obtain successful results on a timely basis could have an adverse effect on the Company's future business and the price of its Common Shares.

The Company's prospects could also suffer if it, or any of its drug development partners, fails to develop and maintain sufficient levels of patient enrolment in its current or future clinical trials. Delays in planned patient enrolment may result in increased costs, and/or delays or termination of clinical trials, which could materially harm the Company's prospects.

Reliance on Third Parties to Conduct Clinical and Preclinical Studies
The Company and its drug development partners rely on third parties such as CROs, medical institutions and clinical investigators to enroll qualified patients, conduct, supervise and monitor its clinical trials, conduct preclinical studies and complete Chemistry, Manufacturing, and Controls ("CMC") work. The reliance on these third parties for clinical development activities reduces its control over these activities. The reliance on these third parties, however, does not relieve the Company or its drug development partners of their regulatory responsibilities, including ensuring that its clinical trials are conducted in accordance with Good Clinical Practices ("GCPs") and that its preclinical studies are conducted in accordance with Good Laboratory Practices ("GLPs").
Furthermore, these third parties may have relationships with other entities, some of which may be competitors. In addition, they may not complete activities on schedule or may not conduct preclinical studies or clinical trials in accordance with regulatory requirements or the Company's trial design. If these third parties do not

successfully carry out their contractual duties or meet expected deadlines, the Company's ability to obtain regulatory approvals for product candidates may be delayed or prevented.

Inability to Achieve Drug Development Goals
From time-to-time, the Company sets targets and makes public statements regarding its expected timing for achieving drug development goals. These include targets for the commencement and completion of preclinical and clinical trials, studies and tests and anticipated regulatory filing and approval dates. These targets are set based on a number of assumptions that may not prove to be accurate. The actual timing of these forward-looking events can vary dramatically from the Company's estimates or they might not be achieved at all, due to factors such as delays or failures in clinical trials or preclinical work, scheduling changes at CROs, the need to develop additional data required by regulators as a condition of approval, the uncertainties inherent in the regulatory approval process and delays in achieving manufacturing or marketing arrangements necessary to commercialize product candidates, including out-licensing of product candidates if the Company deems this necessary and limitations are placed on the funds available to the Company. If the Company does not meet these targets, including those which are publicly announced, the ultimate commercialization of its products may be delayed and, as a result, its business could be harmed.

The Company has several product candidates that are at different stages of development and for which additional preclinical and clinical testing are underway or anticipated in the near future. There can be no assurance that preclinical or clinical testing of the Company's product candidates will yield sufficiently positive results to enable progress toward commercialization and any such trials will take significant time to complete. Unsatisfactory results may prompt the Company to reduce or abandon future testing or commercialization of particular product candidates and this may have a material adverse effect on the Company.

Due to the inherent risk associated with product development efforts in the pharmaceutical industry, particularly with respect to new drugs, the Company's product development expenditures may not result in the successful introduction of government approved new pharmaceutical products. Also, after submitting a drug candidate for regulatory approval, the regulatory authority may require additional studies, and as a result, the Company may be unable to reasonably predict the total R&D costs to develop a particular product.

Risks Related to our Intellectual Property

Patents, Trademarks and Proprietary Technology
There can be no assurance as to the breadth or degree of protection that existing or future patents or patent applications may afford the Company or that any patent applications will result in issued patents or that the Company's patents or trademarks will be upheld if challenged. It is possible that the Company's existing patent or trademark rights may be deemed invalid. Although the Company believes that its products do not, and will not, infringe valid patents or trademarks or violate the proprietary rights of others, it is possible that use, sale or manufacture of its products may infringe on existing or future patents, trademarks or proprietary rights of others. If the Company's products infringe the patents or proprietary rights of others, the Company may be required to stop selling or making its products, may be required to modify or rename its products or may have to obtain licenses to continue using, making or selling them. There can be no assurance that the Company will be able to do so in a timely manner, upon acceptable terms and conditions, or at all. The failure to do any of the foregoing could have a material adverse effect on the Company. In addition, there can be no assurance that the Company will have sufficient financial or other resources to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Company's products infringe patents, trademarks or proprietary rights of others, the Company could, under certain circumstances, become liable for substantial damages which could also have a material adverse effect.

Regardless of the validity of the Company's patents, there can be no assurance that others will be unable to obtain patents or develop competitive non-infringing products or processes that permit such parties to compete with the Company. The Company may not be able to protect its intellectual property rights throughout the world as filing, prosecuting and defending patents and trademarks on all of the Company's product candidates, products and product names, when and if they exist, in every jurisdiction would be prohibitively expensive and can take several years.
Competitors may manufacture, sell or use the Company's technologies and use its trademarks in jurisdictions where the Company or its partners have not obtained patent and trademark protection. These products may

compete with the Company's products, when and if it has any, and may not be covered by any of its or its partners' patent claims or other intellectual property rights.

The laws of some countries do not protect intellectual property rights to the same extent as the laws of Canada and the U.S. and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents, trademarks and other intellectual property protection, particularly those protections relating to biotechnology and pharmaceuticals, which could make it difficult for the Company to stop the infringement of its patents. Proceedings to enforce patent rights in foreign jurisdictions could result in substantial cost and could divert efforts and attention from other aspects of the business.

The pre-trial discovery process, the trial and the appeals process in patent litigation can take several years. The Company could commence a lawsuit against a third party for patent infringement or a lawsuit could commence against the Company with respect to the validity of its patents or any alleged patent infringement by the Company. The cost of such litigation, as well as the ultimate outcome of such litigation, whether or not the Company is successful, could have a material adverse effect on its business, results of operations, financial condition and cash flows.

Ability to Protect Know-How and Trade Secrets
The ability of the Company to maintain the confidentiality of its expertise and trade secrets is essential to its success. Disclosure and use of the Company's expertise and trade secrets, not otherwise protected by patents, are generally controlled under agreements with the parties involved. There can be no assurance however, that all confidentiality agreements are legally enforceable or will be honoured, that others will not independently develop equivalent or competing technology, that disputes will not arise over the ownership of intellectual property or that disclosure of the Company's trade secrets will not occur. To the extent that consultants or other research collaborators use intellectual property owned by others while working with the Company, disputes may also arise over the rights to related or resulting expertise or inventions.

Risks Related to Operating as a Public Company

Compliance with Laws and Regulations Affecting Public Companies
Any future changes to the laws and regulations affecting public companies, may cause the Company to incur increased costs as it evaluates the implications of new rules and implements any new requirements. Delays or a failure to comply with the new laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits.

Any new laws and regulations may make it more expensive for the Company to provide indemnities to the Company's officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. Accordingly, the Company may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for the Company to attract and retain qualified persons to serve on its Board of Directors or as executive officers. The Company may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what the Company currently has planned. The Company is continuously evaluating and monitoring developments with respect to these laws, rules and regulations and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

The Company is required annually to review and report on the effectiveness of its internal control over financial reporting and disclosure controls and procedures in accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators. The results of this review are reported in the Company's Management's Discussion and Analysis of Results of Operations and Financial Condition for Fiscal 2022. The Company's CEO and CFO are required to report on and certify the effectiveness of the Company's internal control over financial reporting.

Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within the Company's internal controls are identified. Material weaknesses represent deficiencies existing in the Company's internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on the quarterly or annual financial statements of the Company.

In addition, management cannot provide assurance that the remedial actions being taken by the Company to address any material weaknesses identified will be successful, nor can management provide assurance that no further material weaknesses will be identified within its internal controls over financial reporting in future years. If the Company fails to maintain effective internal controls over its financial reporting, there is the possibility of errors or omissions occurring or misrepresentations in the Company's disclosures which could have a material adverse effect on the Company's business, its financial statements and the value of the Company's Common Shares.

Public Company Requirements May Strain Resources
As a public company, the Company is subject to the securities laws of the jurisdictions in which it is a reporting issuer and the listing requirements of the TSX. The ever-increasing obligations of operating as a public company will require significant expenditures and will place additional demands on management as the Company complies with the reporting requirements of a public company. The Company may need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting and regulatory knowledge.

In addition, actions that may be taken by significant shareholders may divert the time and attention of the Company's Board of Directors and management from its business operations. Campaigns by significant investors to effect changes at publicly traded companies have increased in recent years. If a proxy contest were to be pursued by any of the Company's shareholders, it could result in substantial expense to the Company and consume significant attention of management and the Board of Directors. In addition, there can be no assurance that any shareholder will not pursue actions to effect changes in the management and strategic direction of the Company, including through the solicitation of proxies from the Company's shareholders.

Risks Related to our Common Shares

Quarterly Fluctuations
The Company's quarterly and annual operating results have fluctuated in the past and are likely to fluctuate in the future. These fluctuations could cause the price of the Company's common shares to decline. The nature of the Company's business involves variable factors, such as the timing of launch and market acceptance of the Company's products, the timing and costs associated with product development and regulatory submissions of our products, the costs of maintaining manufacturing facilities operating below capacity and the costs associated with public company and other regulatory compliance. As a result, in some future quarters or years, the Company's financial or operating results may not meet the expectations of securities analysts and investors which could result in a decline in the price of the Company's common shares.

Volatility of Share Price
Market prices for securities, including those of the Company, have been historically volatile and subject to substantial fluctuations. The stock market experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning the Company or its competitors, including the results of testing, technological innovations, new commercial products, marketing arrangements, government regulations, developments concerning regulatory actions affecting the Company's products and its competitors' products in any jurisdiction, developments concerning proprietary rights, litigation, additions or departures of key personnel, cash flow, public concerns about the safety of the Company's products and economic conditions and political factors in the U.S., the E.U., Canada or other regions may have a significant impact on the market price of the common shares. In addition, there can be no assurance that the common shares will continue to be listed on the TSX.

The market price of the Company's common shares could fluctuate significantly for many other reasons, including for reasons unrelated to the Company's specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. In addition, when the market price of a company's shares drops significantly, shareholders may pursue securities class action lawsuits against the company. A lawsuit against the Company could result in substantial costs and could divert the time and attention of the Company's management and other resources.

Dilution from further Equity Financing and Declining Share Price
If the Company raises additional funding or completes an acquisition or merger by issuing additional equity securities, such issuance may substantially dilute the interests of shareholders of the Company and reduce the value of their investment. The market price of the Company's common shares could decline as a result of issuances of new shares or sales by existing shareholders of common shares in the market or the perception that such sales could occur. Sales by shareholders might also make it more difficult for the Company itself to sell equity securities at a time and price that it deems appropriate.

Absence of Dividends
The Company has not paid dividends on its Common Shares and does not anticipate declaring any dividends in the near future. As a result, the return on an investment in the Company's Common Shares will depend upon any future appreciation in value. There is no guarantee that the Common Shares will appreciate in value or even maintain the price at which they were purchased.

Additional Information

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