Q3 2021
Quarterly Report

Nuvo Pharmaceuticals® Inc. d/b/a Miravo Healthcare™

Management's Discussion and Analysis (MD&A)

November 12, 2021 / The following information should be read in conjunction with Nuvo Pharmaceuticals Inc. d/b/a Miravo Healthcare (Miravo or the Company) Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. Additional information about the Company, including the annual Consolidated Financial Statements and Annual Information Form (AIF) for the year ended December 31, 2020, can be found on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

Unless otherwise noted, all amounts in the MD&A, the Condensed Consolidated Interim Financial Statements and related Notes are expressed in thousands of Canadian dollars, except per share amounts.

This MD&A contains "forward-looking information". Please see the discussion under *Forward-looking Statements* below.

The Company uses non-IFRS financial performance measures in this MD&A. For a detailed reconciliation of the non-IFRS measures used in this MD&A, please see the discussion under *Non-IFRS Measures* below.

Key Developments

Three months ended September 30, 2021 include the following:

- Adjusted total revenue[(1)] was $17.1 million, an increase of 3% compared to $16.7 million for the three months ended September 30, 2020.
- Adjusted EBITDA[(1)] was $7.0 million, an increase of 7% compared to $6.6 million for the three months ended September 30, 2020.
- Revenue related to Blexten®, Cambia® and Suvexx® was $8.1 million, an increase of 24% compared to revenue of $6.5 million for the three months ended September 30, 2020. Total Canadian prescriptions of Blexten and Cambia increased by 16% and 5% respectively compared to the three months ended September 30, 2020.
- The Company repaid $3.7 million (US$2.9 million) of the Amortization Loan to Deerfield Management Company, L.P. (Deerfield).
- As at September 30, 2021, cash and cash equivalents were $28.4 million.

Nine months ended September 30, 2021 include the following:

- Adjusted total revenue[(1)] was $51.6 million, a decrease of 4% compared to $53.6 million for the nine months ended September 30, 2020.
- Adjusted EBITDA[(1)] was $18.8 million, a decrease of 15% compared to $22.2 million for the nine months ended September 30, 2020.
- Revenue related to Blexten, Cambia and Suvexx was $23.5 million, an increase of 26% compared to revenue of $18.7 million for the nine months ended September 30, 2020. Canadian prescriptions of Blexten and Cambia increased by 22% and 10% respectively compared to the nine months ended September 30, 2020.
- The Company repaid $10.3 million (US$8.3 million) of the Amortization Loan to Deerfield.

(1) Non-International Financial Reporting Standards (IFRS) financial measure defined by the Company below.

Business Update

- In October 2021, Resultz was commercially launched in the U.S. market by The Mentholatum Company, Resultz is marketed in the U.S. under the brand name Mentholatum Kids Headlice Removal Kit. The Company's Irish subsidiary, Nuvo Pharmaceuticals (Ireland) DAC (Miravo Ireland) receives revenue from the supply of finished product to The Mentholatum Company.

- In September 2021, Miravo Ireland's distribution partner for Suvexx in South Korea, SK Chemicals Co., Ltd. (SK Chemicals), filed the Suvexx marketing authorization application with the Ministry of Food and Drug Safety (the MFDS) in South Korea. In July 2021, Miravo Ireland entered into an exclusive license and supply agreement with SK Chemicals for the exclusive right to commercialize Suvexx in the Republic of South Korea. Miravo Ireland will receive up to €1.1 million in upfront consideration, regulatory and sales-based milestone payments, as well as royalties on net sales of Suvexx in South Korea and revenue pursuant to the supply of product.

- In August 2021, Miravo announced Health Canada issued a Notice of Compliance in relation to the Company's Supplement to New Drug Submission for the pediatric use of Blexten. The pediatric use expands the label for use in children as young as 4 years old and includes the two new dosage formats; a 2.5mg/mL oral solution and a 10mg Quick Melt tablet. Upon commercial launch, which is anticipated for Q1 2022, the pediatric formats will be available to patients with a prescription from their healthcare provider.

Non-IFRS Financial Measures

The Company discloses non-IFRS measures (such as adjusted total revenue, adjusted EBITDA, adjusted EBITDA per share and cash value of loans) that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

Adjusted Total Revenue
The Company defines adjusted total revenue as total revenue, plus amounts billed to customers for existing contract assets, less revenue recognized upon recognition of a contract asset. Management believes adjusted total revenue is a useful supplemental measure to determine the Company's ability to generate cash from its customer contracts used to fund its operations.

The following is a summary of how adjusted total revenue is calculated:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
in thousands	**$**	$	**$**	$
Total revenue	**16,989**	16,601	**51,198**	56,492
Add:				
Amounts billed to customers for existing contract assets	**141**	68	**381**	2,632
Deduct:				
Revenue recognized upon recognition of a contract asset	**-**	-	**-**	(5,496)
Adjusted total revenue	**17,130**	16,669	**51,579**	53,628

Adjusted total revenue was $17.1 million and $51.6 million for the three and nine months ended September 30, 2021 compared to $16.7 million and $53.6 million for the three and nine months ended September 30, 2020. The $0.4 million increase in adjusted total revenue in the current quarter was primarily attributable to an increase of $1.8 million in the Commercial Business segment and an increase of $0.4 million of revenue from the Licensing and Royalty Business segment, offset by a decrease of $1.8 million of revenue in the Production and Service Business segment.

Revenue attributable to the Commercial Business segment increased during the three months ended September 30, 2021 due to a $1.8 million increase in sales of the Company's promoted products (Blexten, Cambia, Suvexx and Neovisc®). In the current quarter, revenue from the Company's mature products was consistent with the three months ended September 30, 2020.

The Production and Service Business segment revenue decreased during the three months ended September 30, 2021, primarily due to a decrease in Pennsaid® 2% product sales, slightly offset by an increase in sales of Pennsaid. In the current quarter, gross profit decreased as a percentage of revenue compared to the comparative quarter due to a decrease in product sales.

The increase in revenue attributable to the License and Royalty business segment during the three months ended September 30, 2021 was primarily attributable to a $0.5 million increase in royalty earned on European net sales of Vimovo, a $0.2 million increase in royalty earned from net sales of Yosprala and a $0.2 million increase from the recognition of milestones in the SK Chemicals contract. The increase in license revenue in the current three-month period was slightly offset by an unfavourable foreign exchange movement where a stronger Canadian dollar against the U.S. dollar reduced the contribution from U.S. denominated royalty streams, as well as a $0.6 million decrease in royalty earned on U.S. net sales of Vimovo due to a competitor launching a generic version of Vimovo in March 2020. The Company earned a $0.2 million and $1.0 million royalty on U.S. net sales of Vimovo during the three and nine months ended September 30, 2021 compared to $0.8 million and $4.4 million during the three and nine months ended September 30, 2020.

Adjusted EBITDA

EBITDA refers to net income (loss) determined in accordance with IFRS, before depreciation and amortization, net interest expense (income) and income tax expense (recovery). The Company defines adjusted EBITDA as EBITDA, plus amounts billed to customers for existing contract assets, inventory step-up expenses, stock-based compensation expense, Other Expenses (Income), less revenue recognized upon recognition of a contract asset and other income. Management believes adjusted EBITDA is a useful supplemental measure to determine the Company's ability to generate cash available for working capital, capital expenditures, debt repayments, interest expense and income taxes.

The following is a summary of how EBITDA and adjusted EBITDA are calculated:

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net income (loss)	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Add back:				
Income tax expense[1]	**811**	(7)	**2,384**	1,587
Net interest expense	**2,512**	2,904	**7,577**	9,019
Depreciation and amortization	**2,021**	2,250	**6,125**	6,965
EBITDA	**(12,426)**	2,315	**(10,526)**	11,043
Add back:				
Amounts billed to customers for existing contract assets	**141**	68	**381**	2,632
Stock-based compensation	**71**	50	**311**	208
Deduct:				
Revenue recognized upon recognition of a contract asset	**-**	-	**-**	(5,496)
Other Expenses (Income):				
Change in fair value of derivative liabilities[2]	**2,929**	5,240	**14,447**	11,141
Change in fair value of contingent and variable consideration	**94**	(289)	**(1,005)**	1,586
Impairment[3]	**14,682**	-	**14,682**	-
Foreign currency loss (gain)	**1,439**	(1,146)	**162**	1,441
Inventory step-up	**-**	358	**35**	1,059
Other losses (gains)	**110**	(31)	**284**	(1,413)
Adjusted EBITDA	**7,040**	6,565	**18,771**	22,201

(1) Income tax expense for the three and nine months ended September 30, 2021 includes $0.7 million and $2.1 million for deferred income tax due to the utilization of loss carryforwards that were previously recognized. The Company did not recognize deferred income tax expense in the comparative three and nine-month periods.

(2) The Company's derivative liabilities are measured at fair value through profit or loss at each reporting date. As a result of the increase in the share price in the current quarter and an increase in the volatility of the Company's shares, amongst other inputs, the value of the Company's derivative liabilities increased and the Company recognized net losses of $2.9 million and $14.4 million on the change in fair value of derivative liabilities for the three and nine months ended September 30, 2021.

(3) During the three and nine months ended September 30, 2021, the Company recorded impairment of $14.7 million and $14.7 million of goodwill and certain intangible assets in the Commercial Business and Licensing and Royalty segments. During the three months ended September 30, 2021, the Company reviewed carrying values of certain intangible assets as it had changed its commercial expectations for certain products in response to COVID-19 trends. Additional details regarding the Company's methodology and assumptions are disclosed in Note 4, *Intangible Assets* and Note 5, *Goodwill* to the unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021. See *Impairment* and *Risk Factors* below.

Adjusted EBITDA was $7.0 million for the three months ended September 30, 2021 compared to $6.6 million for the comparative quarter. During the three months ended September 30, 2021, a $2.3 million increase in gross profit contribution from the Company's Commercial Business segment (net a $0.4 million decrease in inventory step-up expense) and a $0.3 million increase in gross profit from the Company's License and Royalty Business segment was offset by a $1.2 million decrease in gross profit contribution from the Company's Production and Service Business segment, a $0.8 million increase in sales and marketing expenses and a $0.2 million increase in general and administrative (G&A) expenses. During the three months ended September 30, 2021, the Company recorded $nil in government assistance resulting from the Canada Emergency Wage Subsidy (CEWS). The Company recognized $1.1 million in government assistance resulting from CEWS in the comparative three-month period.

Adjusted EBITDA was $18.8 million for the nine months ended September 30, 2021 compared to $22.2 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, a $4.3 million increase in gross profit from the Company's Commercial Business segment (net a $1.0 million decrease in inventory step-up expense) was more than offset by a $5.0 million decrease in contribution from the Company's License and Royalty Business segment, a $1.0 million decrease in gross profit contribution from the Production and Service Business segment, a $1.4 million increase in sales and marketing expenses and a $0.2 million increase in G&A expenses (net a $0.1 million increase in stock-based compensation).

Adjusted EBITDA Per Common Share

The Company defines adjusted EBITDA per common share as adjusted EBITDA divided by the average number of issued and outstanding common shares of the Company as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
in thousands	**$**	$	**$**	$
Adjusted EBITDA	**7,040**	6,565	**18,771**	22,201
Adjusted EBITDA per common share	**0.62**	0.58	**1.65**	1.95
Average number of common shares outstanding (in thousands) - basic	**11,388**	11,388	**11,388**	11,388

Adjusted EBITDA per common share was $0.62 and $1.65 for the three and nine months ended September 30, 2021 compared to adjusted EBITDA per common share of $0.58 and $1.95 for the three and nine months ended September 30, 2020.

Cash Value of Loans

The Company's long-term debt is carried at amortized cost in accordance with IFRS. The Deerfield Loans were initially measured at fair value using a discounted cash flow model that considers the present value of contractual cash flows using a risk-adjusted discount rate. As the Company revises its estimated future contractual cash flows it will adjust the gross carrying amount of the amortized cost of a financial liability to reflect actual and revised estimated contractual cash flows.

The Company defines cash value of loans as the total sum of money borrowed under the Deerfield Facility Agreement less any payments to date. Cash value of loans does not consider fair value discounting when describing the Company's

outstanding debt. Management believes cash value of loans is a useful supplemental measure to describe the debt outstanding under the Deerfield Facility Agreement.

The following is a summary of how cash value of loans is calculated as at:

	September 30, 2021		December 31, 2020	
$US	**Amortization Loan**	**Convertible Loan**	Amortization Loan	Convertible Loan
Total long-term debt	**33,982**	**42,845**	40,426	41,042
IFRS present value adjustment (interest and principal)	**4,392**	**9,655**	6,254	11,458
Cash Value of Loans	**38,374**	**52,500**	46,680	52,500

$CDN	**Amortization Loan**	**Convertible Loan**	Amortization Loan	Convertible Loan
Total long-term debt	**43,296**	**54,589**	51,453	52,244
IFRS present value adjustment (interest and principal)	**5,596**	**12,301**	7,980	14,599
Cash Value of Loans	**48,892**	**66,890**	59,433	66,843

During the three and nine months ended September 30, 2021, the Company repaid $3.7 million (US$2.9 million) and $10.3 million (US$8.3 million) of the Amortization Loan to Deerfield reducing its cash value of loans outstanding to $115.8 million (US$90.9 million). Since the inception of the Deerfield Financing on December 31, 2018, the Company has repaid US$27.6 million towards the Deerfield Loans. The interest rate for both the Amortization Loan and the Convertible Loan is a fixed 3.5%.

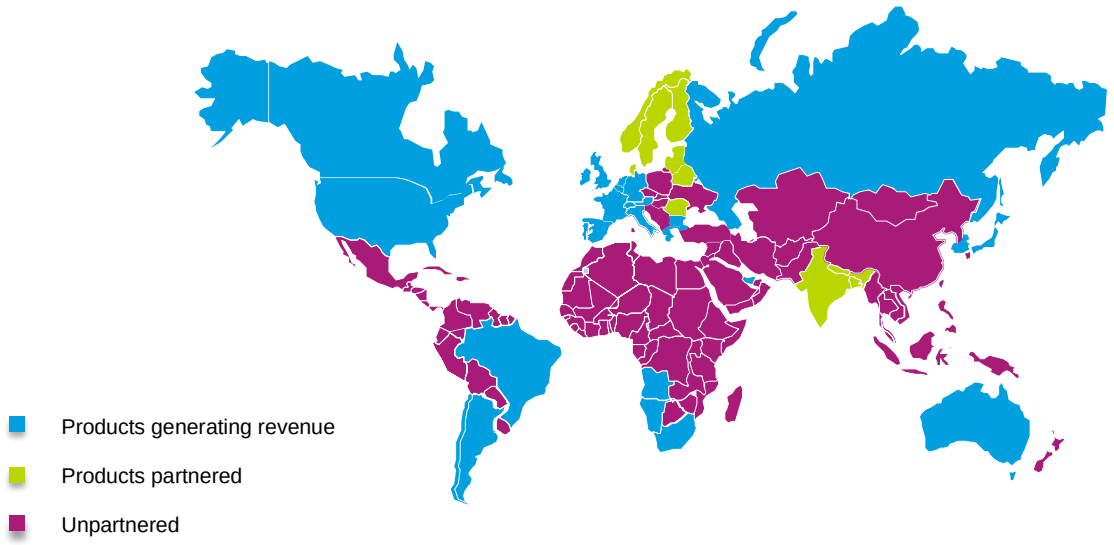
The Company's Business

Miravo is a publicly traded, Canadian healthcare company with global reach and a diversified portfolio of prescription and non-prescription products.

Miravo's head office is located in Mississauga, Ontario, Canada, its international operations are headquartered in Dublin, Ireland and its manufacturing facility is located in Varennes, Québec, Canada. The Varennes facility operates in a Good Manufacturing Practices (GMP) environment respecting the U.S., Canada and E.U. GMP regulations and is regularly inspected by Health Canada and the U.S. Food and Drug Administration (FDA).

As at September 30, 2021, the Company employed a total of 101 full-time employees across its manufacturing facility in Varennes, Québec, corporate office, Commercial Business in Mississauga, Ontario and international headquarters in Dublin, Ireland.

Global Presence



Intellectual Property
The Company protects its intellectual property by means of a combination of patents, data exclusivity, trademarks, rights, licenses, non-disclosure agreements and contractual provisions. Miravo currently holds over one hundred patents in a number of jurisdictions and has several patent applications pending. Additionally, the Company holds commercial licenses and cross-licenses to access third-party intellectual property.

Operating Segments
The Company has three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business.

Commercial Business
The Commercial Business segment is comprised of products commercialized by the Company in Canada. This segment includes the Company's promoted products - Blexten, Cambia, Suvexx and NeoVisc, as well as a number of mature products. The Company sells its products to wholesalers who in turn supply retail and hospital pharmacies across Canada.

The Company's promoted products are primarily prescribed by Canadian healthcare professionals, including neurologists, pain and migraine specialists, dermatologists, allergists, primary care physicians, prescribing pharmacists and nurse practitioners, which the Company's in-house commercial team calls on and supports through various educational and product detailing activities. The mature products are prescribed to treat patients across a broad range of therapeutic areas, including pain management, cardiology, gastroenterology, antihyperlipidemic/metabolic agents, dermatology and various non-prescription medicines. These mature products receive no or minimal promotional support, and in some cases, have lost market exclusivity and now compete with generic alternatives.

The Company's approved products related to the Commercial Business segment are as follows:

Distributed by Miravo in Canada			
Product	**Description**	**Product**	**Description**
Promoted Products			
BLEXTEN	Second-generation antihistamine for the treatment of seasonal allergies and urticaria (hives).	CAMBIA	Treatment of mild to moderate acute migraine with or without aura in adults 18 years and older.
Suvexx	Treatment of moderate to severe acute migraine with or without aura in adults.	NeoVisc ONE NeoVisc+	Viscosupplementation for knee osteoarthritis
Mature Products			
Resultz	Pesticide-free topical treatment of head lice infestations.	Bezalip® SR	Once daily treatment for patients with high cholesterol or high levels of triglycerides.
Fiorinal[1] Fiorinal®-C[1]	Relief for tension-type headaches.	Proferrin	Iron supplement for the prevention and treatment of iron deficiency.
MOVIPREP	Indicated for the cleansing of the colon in preparation for colonoscopy.	Soriatane®	Once daily treatment for psoriasis and other keratinization disorders.
PegaLAX	Laxative for the treatment of occasional constipation and, irregularity.	COLLATAMP G	Fully resorbable, antibiotic, collagen "haemostat" for surgical implantation during surgery to reduce the risk of surgical site infections.
Mutaflor	Probiotic for the management and relief of chronic constipation and associated abdominal pain and cramps		

1. Products are available in Canada and not promoted in any capacity

Production and Service Business
The Production and Service Business segment includes revenue from the sale of products manufactured by Miravo from its manufacturing facility in Varennes, Québec or contracted by Miravo Ireland from its international headquarters in Dublin, Ireland, as well as service revenue for testing, development and related quality assurance and quality control services provided by the Company. Key revenue streams in this segment, include Pennsaid 2%, Pennsaid and the bulk drug product for the Heated Lidocaine/Tetracaine (HLT) Patch.

The Company currently supplies Pennsaid 2% to Horizon Therapeutics plc (Horizon) for the U.S. market and to Gebro Pharma AG (Gebro Pharma) for the Swiss market and is actively engaged in ongoing partnering efforts for Pennsaid 2% in the rest of the world. The Company will continue to focus on identifying license partners for Resultz® in key unpartnered territories around the world, which has the potential to increase production revenue. Miravo believes its Production and Service Business segment has continued growth potential, as Miravo has the in-house capabilities and capacity to produce Pennsaid 2% and Resultz for new license partners.

Licensing and Royalty Business
The Licensing and Royalty Business segment includes the revenue generated from the licensing of the intellectual property and the ongoing royalties received under these exclusive licensing agreements. The Company's Licensing and Royalty Business segment revenue is primarily generated from:

- Net sales of Vimovo in various ex-U.S. markets, including Europe, Canada and South America by the Company's partner Grunenthal GmbH (Grunenthal);
- Net sales of Vimovo in the U.S. through the Company's partner Horizon;
- Net sales of Resultz in select European markets by the Company's various European license partners (See table below for full details);
- Net sales of Cabpirin related to the licensing of the Company's Yosprala intellectual property in the Japanese market; and
- Net sales of Pennsaid 2% in Swtizerland by the Company's partner Gebro Pharma.

The Company's out-licensing efforts for Pennsaid 2%, Resultz, Suvexx and Yosprala are targeted on all regions that remain unlicensed with a particular focus on Europe, the Middle East and Asia. The Company enters into exclusive, long-term licensing agreements with strategic partners in specific geographies. Miravo believes its Licensing and Royalty Business segment has growth potential, as Pennsaid 2%, Resultz and Suvexx are protected by patents that provide licensees with market exclusivity and protection from generic competition, as well as favourable product profiles (See *Commercial Products* below).

The Company's approved products related to the Production and Service Business and Licensing and Royalty Business are distributed worldwide and segmented as follows:

Product	Description	Segments	Licensee or Distributor
Resultz FullMarks LAUSBUB® MENTHOLATUM® KIDS HEAD LICE REMOVAL KIT	Pesticide-free topical treatment of head lice infestations.	Production and Service Business Licensing and Royalty Business	Fagron Belgium NV Heumann Pharma GmbH & Co. Generica KG Reckitt Benckiser (Brands) Limited Sato Pharmaceutical Co., Ltd. The Mentholatum Company
Treximet® sumatriptan/naproxen sodium Suvexx®	Treatment of acute migraine	Licensing and Royalty Business	Currax Holdings USA LLC Orion Corporation SK Chemicals Co., Ltd.
PENNSAID® (diclofenac sodium topical solution) 2% w/w	Topical treatment of osteoarthritic pain in a more convenient format.	Production and Service Business Licensing and Royalty Business	Horizon Therapeutics plc Paladin Labs Inc. Sayre Therapeutics PVT Ltd Gebro Pharma AG
PENNSAID®	Topical treatment of osteoarthritic pain.	Production and Service Business Licensing and Royalty Business	Paladin Labs Inc. Vianex S.A. Recordati S.p.A.
VIMOVO®	Oral treatment for relief of arthritis symptoms with a reduced risk of developing gastric ulcers.	Licensing and Royalty Business	Horizon Therapeutics plc Grunenthal GmbH
SYNERA® (lidocaine and tetracaine) Topical Patch RAPYDAN®	Topical patch used to help prevent pain associated with needle sticks and other superficial skin procedures.	Licensing and Royalty Business Production and Service Business	Galen US Incorporated Eurocept International B.V.
Yosprala™ (aspirin and omeprazole)	Once daily treatment to help in the prevention of heart attacks and strokes with a reduced risk of developing gastric ulcers.	Licensing and Royalty Business	Takeda Pharmaceutical Company Limited Genus Lifesciences Inc.

Growth Strategy

The Company intends to further expand its Canadian and international businesses through:

- organic growth, line extensions and reformulations of existing products
- targeted in-licensing and acquisition opportunities, which leverage the Company's in-house commercial, scientific and manufacturing infrastructure
- out-licensing of distribution rights for Miravo's proprietary products - Pennsaid 2%, Resultz, Suvexx and Yosprala in global markets.

The Company plans to continue to build on its commercial presence in Canada and will look to utilize a network of license and distribution partners for its products in global markets. The Company targets global and regional pharmaceutical companies that have therapeutic area expertise and established commercial infrastructure as potential license and distribution partners.

To achieve its strategic objectives, the Company focuses on leveraging its competitive advantages through its in-house capabilities:

- Attracting, developing, pursuing and consummating transactions to in-license or acquire accretive, growth-oriented products;
- Creating intellectual property portfolios that provide defense against generic threats;
- Launching new products in Canada;
- Managing complex relationships with regulators to register new products in Canada, the U.S., Europe and other global markets; and
- Developing innovative processes to enhance the quality and efficiency of manufacturing operations.

Products

Commercial Products
Products Commercialized by Miravo in Canada

Blexten
Blexten is a second-generation antihistamine drug for the symptomatic relief of allergic rhinitis and chronic spontaneous urticaria. Blexten exerts its effect through its highly selective inhibition of peripheral histamine H1 receptors and has an efficacy comparable to cetirizine and desloratadine. In comparative studies, Blexten demonstrated somnolence rates similar to placebo representing a potentially non-sedating effect at therapeutic doses. It was developed in Spain by Faes Farma, S.A. (Faes). Bilastine, (the active ingredient in Blexten), is approved in Canada and over 100 countries worldwide, including Japan and most European countries. In 2014, Miravo entered into an exclusive license and supply agreement with Faes for the exclusive right to sell bilastine in Canada, which is sold under the brand name Blexten. The exclusive license is inclusive of prescription and non-prescription rights for Blexten, as well as adult and pediatric presentations in Canada.

In April 2016, Health Canada approved Blexten (bilastine 20 mg oral tablet) for the treatment of the symptoms of seasonal allergic rhinitis and chronic spontaneous urticaria (such as itchiness and hives). Blexten was commercially launched in Canada in December 2016. Miravo is contracted to pay additional milestone payments of approximately €0.3 million and $0.4 million to Faes if certain sales targets or other milestone events are achieved over the life of the license and supply agreement term.

Cambia
Cambia (diclofenac potassium for oral solution) is a patent protected, nonsteroidal anti-inflammatory drug (NSAID) and is currently the only prescription NSAID approved and available in Canada for the acute treatment of migraine with or without aura in adults 18 years of age or older. In 2010, Miravo signed a license agreement with Nautilus Neurosciences, Inc. (Nautilus) for the exclusive rights to develop, register, promote, manufacture, use, distribute, market and sell Cambia in Canada. Since 2011, three separate amendments to the license agreement have been executed. The license was assigned by Nautilus to Depomed, Inc. (Depomed) in December 2013. Depomed has subsequently been renamed Assertio Therapeutics Inc. The Company pays a tiered royalty on net sales of Cambia and future sales-based milestone payments of up to US$5.3 million may be payable over time.

Cambia was approved by Health Canada in March 2012 and was commercially launched to specialists in Canada in October 2012 and broadly to all primary care physicians in February 2013.

Suvexx
Suvexx (sumatriptan/naproxen sodium) is a patent protected migraine medicine that was developed by POZEN, Inc. (POZEN) in collaboration with Glaxo Group Limited, d/b/a GSK (GSK). The product is formulated with POZEN's patented technology (originally acquired by Miravo as part of the Aralez Transaction on December 31, 2018) of combining a triptan, sumatriptan 85 mg, with an NSAID, naproxen sodium 500 mg and GSK's RT Technology in a single tablet. The Company received Health Canada approval for Suvexx in the first quarter of 2020 and the product was commercially launched in Canada in September 2020.

NeoVisc Line Extension
In January 2020, Miravo closed a licensing transaction bringing new line extensions to the NeoVisc Canadian business. NeoVisc is an injectable viscosupplement used by orthopedic surgeons, sports medicine physicians and healthcare practitioners to replenish synovial fluid in the joints of patients with osteoarthritis and is available in two formats (NeoVisc ONE and NeoVisc+). NeoVisc ONE is a low volume (4 mL), single-dose injection viscosupplement. The reduction of injection volume makes administration of NeoVisc ONE easier for healthcare professionals and more comfortable for patients. NeoVisc+ consists of a three (2 mL) injection dosing regimen that is administered to a patient over the course of a three-week period. Both NeoVisc ONE and NeoVisc+ were issued a Medical Device License by Health Canada in September 2020. The new and improved NeoVisc formats were launched in Canada in January 2021.

Mature Products Commercialized by Miravo in Canada
The Commercial Business segment also consists of a number of mature products including the Canadian business for Resultz, Bezalip® SR, Proferrin®, Fiorinal®[(1)], Fiorinal® C[(1)], Collatamp® G, PegaLAX®, Mutaflor®, MoviPrep® and Soriatane™.

[(1)] Products are available in Canada and not promoted in any capacity

Fiorinal
On October 30, 2019, Miravo received an amended application for authorization to institute a class action against a group of 34 defendants, including Miravo, that manufacture, market, and/or distribute opioids in Québec. The claim is for $30, plus interest for compensatory damages for each class member, $25.0 million from each defendant for punitive damages and pecuniary damages for each class member. The proposed class is all natural persons in Québec who have been prescribed and consumed any one or more of the opioids manufactured, marketed, distributed and/or sold by the defendants between 1996 and the present day and who suffer or have suffered from opioid use disorder. The proposed class includes any direct heirs of any deceased persons who met the above-description and excludes certain persons subject to a prior settlement agreement. The amended application is currently pending before the Superior Court in the Province of Québec. The Company believes that the claim is without merit and intends to vigorously defend the matter.

Products Out-licensed and/or Manufactured by Miravo

Pennsaid 2%
Pennsaid 2% is a follow-on product to original Pennsaid (described below). Pennsaid 2% is a topical pain product that combines a dimethyl sulfoxide (DMSO) based transdermal carrier with 2% diclofenac sodium. Pennsaid 2% is more viscous, is supplied in a metered dose pump bottle and has been approved in the U.S. and Switzerland for twice daily dosing compared to four times a day for original Pennsaid. This provides Pennsaid 2% with potential advantages over Pennsaid and other competitor products and with patent protection. Miravo owns the worldwide rights to Pennsaid 2%, excluding the U.S. rights owned by Horizon.

United States
Pennsaid 2% was approved on January 16, 2014 in the U.S. and launched by the Company's then U.S. Pennsaid and Pennsaid 2% licensee, Mallinckrodt Inc. (Mallinckrodt) in February 2014 for the treatment of pain of osteoarthritis of the knee. In October 2014, Miravo reacquired the rights to Pennsaid from Mallinckrodt and sold the U.S. rights to Pennsaid 2% to Horizon. Under the terms of this agreement, Company earns product revenue from Horizon pursuant to a long-term, exclusive supply agreement, as well as contract service revenue.

Rest of World
Gebro Pharma has the exclusive rights to register, distribute, market and sell Pennsaid 2% in Switzerland and Liechtenstein. In January 2020, Gebro Pharma received marketing authorization for Pennsaid 2% from Swissmedic, the overseeing Swiss regulatory authority. Gebro Pharma launched Pennsaid 2% in Switzerland in January 2021. The Company is eligible to receive milestone payments and royalties on net sales of Pennsaid 2% in Switzerland and Liechtenstein and will earn product revenue from the supply of Pennsaid 2% to Gebro Pharma on an exclusive basis from its manufacturing facility in Varennes, Québec.

Unlicensed Territories
The Company is currently pursuing Pennsaid 2% registration in Greece. The Company is preparing its regulatory dossier for Pennsaid 2% for submission to the Greek National Organization for Medicines (EOF) as a National procedure. As of December 31, 2020, the Company withdrew the Pennsaid 2% marketing authorization application from the Austrian Agency for Health and Food Safety for commercial reasons.

Pennsaid
Pennsaid, the Company's first commercialized topical pain product, is used to treat the signs and symptoms of osteoarthritis of the knee. Pennsaid is a combination of a DMSO-based transdermal carrier and 1.5% diclofenac sodium and delivers the active drug through the skin at the site of pain. While conventional oral NSAIDs expose patients to potentially serious systemic side effects such as gastrointestinal bleeding and cardiovascular risks, Miravo's clinical trials suggest that some of these systemic side effects occur less frequently with topically applied Pennsaid. Pennsaid is currently sold in Canada by Paladin Labs Inc., in Italy by Recordati S.p.A. and in Greece by Vianex S.A.

Resultz

United States
The Company acquired the U.S. product and intellectual property rights from Piedmont Pharmaceuticals LLC (Piedmont) in January 2018. Resultz was cleared as a 510 (k) Exempt class 1 medical device for the treatment of lice by the FDA in May 2017. In February 2021, Miravo Ireland entered into an exclusive License Agreement with The Mentholatum Company for the exclusive right to commercialize the Resultz formula and technology in the U.S. under the brand name Mentholatum Kids Head Lice Removal Kit. Miravo Ireland will earn revenue from The Mentholatum Company pursuant

to the License Agreement. The Mentholatum Company launched the Mentholatum Kids Head Lice Removal Kit during October 2021. The License Agreement has been structured with an 18-month term, which will allow both parties to reassess market dynamics related to the COVID-19 pandemic and to determine if a longer-term agreement is warranted in a post-pandemic commercial environment. The Mentholatum Kids Head Lice Removal Kit is currently manufactured by the Company's contract manufacturing partner in Europe.

Rest of World (excluding the U.S. and Canada)

The Company acquired the global, ex-U.S. product and intellectual property rights from Piedmont in December 2017. Resultz is approved and marketed in Spain, Portugal, Belgium, Netherlands, Germany, Ireland, the United Kingdom, and Russia through a network of existing license agreements and global licensees, which include Reckitt Benckiser, Fagron Belgium NV (Fagron) and Heumann Pharma GmbH & Co. (Heumann). Resultz is also pending registration in Japan, where the local license is held by Sato Pharmaceutical Co. Ltd. Resultz is a CE marked, Class I medical device for the treatment of lice, which does not require a prescription. The Company recognized a contingent and variable consideration related to the ex-U.S. acquisition of Resultz for $0.7 million as at September 30, 2021.

Fagron has the exclusive rights to register, distribute, market and sell Resultz in Belgium, the Netherlands and Luxembourg (BeNeLux) as a Class I medical device for the human treatment of head lice infestation. Resultz is cleared for marketing in BeNeLux. Miravo Ireland received upfront consideration, is eligible to receive royalties on net sales of Resultz in BeNeLux and will earn revenue from Fagron pursuant to an exclusive supply agreement. Fagron launched Resultz in BeNeLux in the second half of 2018. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

Heumann has the exclusive rights to distribute, market and sell Resultz in Germany. Resultz is considered a Class I medical device in Germany. Miravo Ireland received upfront consideration, is eligible to receive milestone payments and royalties on net sales of Resultz in Germany and will earn revenue from Heumann pursuant to an exclusive supply agreement. Heumann launched Resultz in Germany in November 2020. Resultz is currently manufactured by the Company's contract manufacturing partner in Europe.

The COVID-19 pandemic has created some uncertainty regarding the traditional seasonal demand for head lice treatments. Due to physical distancing regulations currently being enforced globally, many children are not physically attending school or daycare or are not able to participate in group activities, the traditional environments where head lice outbreaks occur.

Vimovo

Vimovo (naproxen/esomeprazole magnesium) is the brand name for a proprietary fixed-dose combination of enteric-coated naproxen, a pain-relieving NSAID, and immediate-release esomeprazole magnesium, a proton pump inhibitor, in a single delayed-release tablet. Miravo Ireland acquired the global intellectual property related to Vimovo from POZEN as part of the Aralez Transaction on December 31, 2018. On April 30, 2010, the FDA approved Vimovo for the relief of the signs and symptoms of OA, rheumatoid arthritis, and ankylosing spondylitis and to decrease the risk of developing gastric ulcers in patients at risk of developing NSAID-associated gastric ulcers. Vimovo is currently commercialized in the U.S. by Horizon and by Grunenthal in various rest of world territories, including Canada, Europe and select additional countries.

United States

Under the terms of the license agreement with Horizon, Miravo Ireland in the past received a royalty of 10% based on U.S. net sales of Vimovo. In the current quarter, this royalty decreased to 5% of U.S. net sales of Vimovo due a royalty step-down provision in Miravo Ireland's license agreement with Horizon due to continued generic competitor market share gains. A guaranteed minimum annual royalty payment of US$7.5 million (US$1.9 million per quarter) ceased when Dr. Reddy's Laboratories Inc. (Dr. Reddy's) launched a generic version of Vimovo in the U.S. during the first quarter of 2020. Horizon's royalty payment obligation with respect to Vimovo expires on the later of (a) the last to expire of certain patents covering Vimovo, and (b) ten years after the first commercial sale of Vimovo in the U.S., which occurred in 2010. Horizon and Miravo Ireland have reached litigation settlements with five other generic companies: (i) Teva Pharmaceuticals Industries Limited (formerly known as Actavis Laboratories FL, Inc., which itself was formerly known as Watson Laboratorie, Inc. - Florida) and Actavis Pharma, Inc. (collectively, Actavis Pharma); (ii) Lupin; (iii) Mylan Pharmaceuticals Inc., Mylan Laboratories Limited, and Mylan Inc. (collectively, Mylan); (iv) Ajanta Pharma Ltd. and Ajanta Pharma USA, Inc. (collectively, Ajanta); and (v) Anchen Pharmaceuticals, Inc. (Anchen). Certain of these settlement agreements include provisions allowing generic versions of Vimovo to enter the U.S. market as a consequence of Dr. Reddy's launching their generic version of Vimovo in March 2020. When the Company acquired the

Vimovo patents as part of the Aralez Transaction, the Company anticipated that the US$7.5 million (US$1.9 million per quarter) annual minimum royalty payments would cease in 2022.

Dr. Reddy's launch of a generic version of Vimovo in the U.S. is "at risk" to Dr. Reddy's, as there is pending patent infringement litigation in the United States District Court for the District of New Jersey (the Court) against Dr. Reddy's, involving issued U.S. Patent Nos. 8,858,996 and 9,161,920 (the '996 and '920 Patents) owned by Miravo Ireland that cover Vimovo. In this litigation, Dr. Reddy's is arguing that these issued patents are invalid and unenforceable. In October 2020, Dr. Reddy's filed a motion for summary judgment requesting that the Court find the '996 and '920 Patents invalid. The Court denied this motion in February 2021, and as a result, the pending litigation against Dr. Reddy's involving the '996 and '920 Patents continues. Fact and expert discovery are now complete. A trial date has not yet been set by the Court. In the event Miravo Ireland's patents are found by the Court to be valid and infringed, Miravo Ireland and Horizon may be entitled to damages from Dr. Reddy's.

Rest of World (excluding the U.S.)
Grunenthal holds the rights to commercialize Vimovo outside of the U.S. and Japan and pays Miravo Ireland a 10% royalty on net sales. Grunenthal's royalty payment obligation with respect to Vimovo expires on a country-by-country basis upon the later of (a) expiration of the last-to-expire of certain patent rights related to Vimovo in that country, and (b) ten years after the first commercial sale of Vimovo in such country. The royalty rate may be reduced to the mid-single digits in the event of a loss of market share as a result of certain competing products. Canada is the only country where a generic naproxen/esomeprazole magnesium product was approved and commercialized in 2017, prior to the Company purchasing this royalty stream.

Suvexx/Treximet
Suvexx/Treximet (sumatriptan/naproxen sodium) is a migraine medicine that was developed by POZEN in collaboration with GSK. The product is formulated with POZEN's patented technology (now owned by Miravo) of combining a triptan, sumatriptan 85 mg, with an NSAID, naproxen sodium 500 mg and GSK's RT Technology in a single tablet.

United States
In 2008, the FDA approved Treximet (the U.S. brand name) for the acute treatment of migraine attacks with or without aura in adults. Treximet is currently commercialized in the U.S. by Currax Holdings USA LLC.

Rest of World (excluding the U.S.)
Orion holds the exclusive license and supply agreement (the License Agreement) for the right to package, distribute, market and sell Suvexx in Finland, Sweden, Denmark, Norway, Poland, Hungary, Latvia, Lithuania and Estonia (the Territory). Orion will be responsible for obtaining and maintaining the marketing authorizations for Suvexx in the Territory and will also manage all Territory specific commercial activities. Orion's marketing authorization application is currently under review by Fimea, the Finnish Medicines Agency. Miravo Ireland will receive up to €1.6 million in upfront consideration, regulatory and sales-based milestone payments, as well as royalties on net sales of Suvexx in the Territory and revenue pursuant to the supply of product. Miravo Ireland has received €0.1 million in milestone payments to date. Suvexx is currently manufactured by the Company's contract manufacturing partner in the U.S.

In July 2021, Miravo Ireland entered into an exclusive license and supply agreement with SK Chemicals for the right to commercialize Suvexx in the Republic of South Korea. Miravo Ireland will receive up to €0.9 million in upfront consideration, regulatory and sales-based milestone payments, as well as royalties on net sales of Suvexx in South Korea and revenue pursuant to the supply of product. Miravo Ireland has received €0.1 million in milestone payments to date. SK Chemicals will be responsible for obtaining and maintaining the marketing authorizations for Suvexx in South Korea and will also manage all South Korean specific commercial activities. In October 2021, SK Chemicals filed the Suvexx marketing authorization application with the Ministry of Food and Drug Safety (the MFDS) in South Korea. The commercial launch of Suvexx in South Korea is anticipated to commence in 2023, subject to receipt of regulatory approval from the local regulatory authorities. Suvexx is currently manufactured by the Company's contract manufacturing partner in the U.S.

Yosprala
Yosprala is currently the only prescription fixed-dose combination of aspirin (acetylsalicylic acid), an anti-platelet agent, and omeprazole, a proton-pump inhibitor, in the U.S. It is indicated for patients who require aspirin for secondary prevention of cardiovascular and cerebrovascular events and who are at risk of developing aspirin associated gastric ulcers. Yosprala is designed to support both cardio- and gastro-protection for at-risk patients through the proprietary Intelli-COAT system, which is formulated to sequentially deliver immediate-release omeprazole (40 mg) followed by a delayed-release, enteric-coated aspirin core in either 81 mg or 325 mg dose strengths. Yosprala was approved by the

FDA in September 2016 and was commercially launched in the U.S. in the U.S. by Genus Lifesciences Inc. (Genus) in October 2016.In early 2021, Genus advised the Company that they have discontinued sales of the product for commercial reasons.

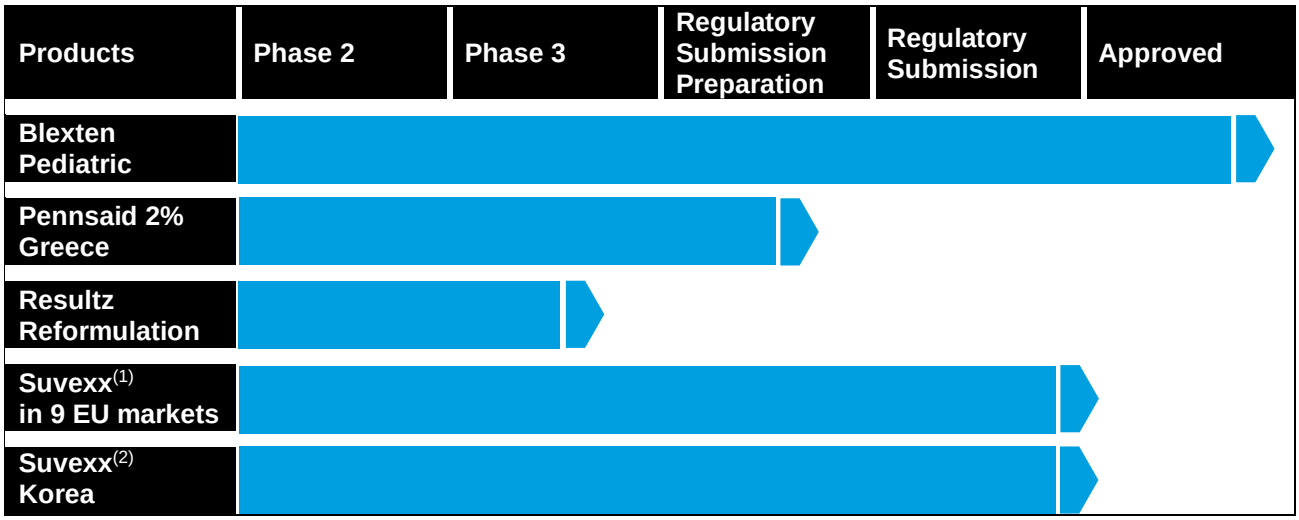
The intellectual property related to Yosprala was licensed to Takeda in May 2017, on a non-exclusive basis for the Japanese market. In March 2020, Miravo Ireland received notice from Takeda that Japan's Ministry of Health, Labor and Welfare (the MHLW) approved Cabpirin. Cabpirin is a fixed dose combination of vonoprazan fumarate and low-dose aspirin, which is protected by Miravo Ireland's Japanese patent for the Yosprala formulation. In the year ended December 31, 2020, Miravo Ireland received $2.5 million (US$1.8 million), in milestone payments, net of withholding tax of 10%, triggered by the MHLW approval. Miravo Ireland is also contractually entitled to receive a second US$1.8 million milestone payment, net of withholding tax of 10% on May 31, 2022 provided the licensed intellectual property remains valid and enforceable. Miravo Ireland will receive a single-digit royalty on net sales of Cabpirin in Japan until patent expiry on May 31, 2022.

Miravo Ireland is entitled to retain 50% of all royalty and milestone revenues generated from the Yosprala intellectual property on a global basis, with the remaining 50% to be paid to the estate of POZEN.

The Heated Lidocaine/Tetracaine Patch

The HLT Patch is a topical patch that combines lidocaine, tetracaine and heat, using Miravo's proprietary Controlled Heat-Assisted Drug Delivery (CHADD™) technology. The CHADD unit generates gentle heating of the skin and in a well-controlled clinical trial has demonstrated that it contributes to the efficacy of the HLT Patch by improving the flux rate of lidocaine and tetracaine through the skin. The HLT Patch resembles a small adhesive bandage in appearance and for its currently approved indication is applied to the skin 20 to 30 minutes prior to painful medical procedures, such as venous access, blood draws, needle injections and minor dermatologic surgical procedures. The HLT Patch is marketed in the U.S. by Galen US Incorporated (Galen) under the brand name Synera. In Europe, the HLT Patch is marketed by the Company's European-based licensee, Eurocept International B.V. (Eurocept) under the brand name Rapydan. The HLT Patch is manufactured by a third-party contract manufacturing organization for Galen and Eurocept. Currently, Miravo manufactures the bulk drug product for both parties.

Product Pipeline



(1) See *The Company's Business – Licensing and Royalty Business*
(2) See *Suvexx/Treximet – Rest of World (excluding the U.S.)*

Blexten Pediatric

Miravo's original license agreement for Blexten included Canadian rights for the pediatric dosage formats. Blexten pediatric dosing consists of either an oral solution formulation (2.5mg/mL) and an orally dispersible tablet formulation (10mg tablets). Health Canada approved Miravo's pediatric dossier during August 2021 and the Company anticipates launching its Blexten Pediatric formats during the first quarter of 2022.

Resultz Reformulation
Miravo has developed an improved reformulated version of Resultz and filed a U.S. provisional patent application in May 2021 to protect this new technology. Additional basic development work is anticipated to be conducted to support the new product.

Selected Financial Information

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Operations				
Product sales	**13,613**	13,597	**42,241**	39,324
License revenue	**3,326**	2,997	**8,884**	17,146
Contract revenue	**50**	7	**73**	22
Total Revenue	**16,989**	16,601	**51,198**	56,492
Cost of goods sold	**5,025**	6,425	**16,102**	17,432
Gross profit	**11,964**	10,176	**35,096**	39,060
Total operating expenses	**9,669**	9,241	**30,754**	31,246
Other expenses (income)	**19,254**	3,774	**28,570**	12,755
Income (loss) before income taxes	**(16,959)**	(2,839)	**(24,228)**	(4,941)
Income tax expense	**811**	(7)	**2,384**	1,587
Net income (loss)	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Unrealized gain (loss) on translation of foreign operations	**(232)**	498	**151**	731
Total comprehensive income (loss)	**(18,002)**	(2,334)	**(26,461)**	(5,797)
Total assets	**135,040**	156,150	**135,040**	156,150
Total non-current financial liabilities[(1)]	**115,711**	122,334	**115,711**	122,334
Share Information				
Net income (loss) per common share				
- basic	**(1.56)**	(0.25)	**(2.34)**	(0.57)
- diluted	**(1.56)**	(0.25)	**(2.34)**	(0.57)
Dividends declared per share, common shares	**-**	-	**-**	-

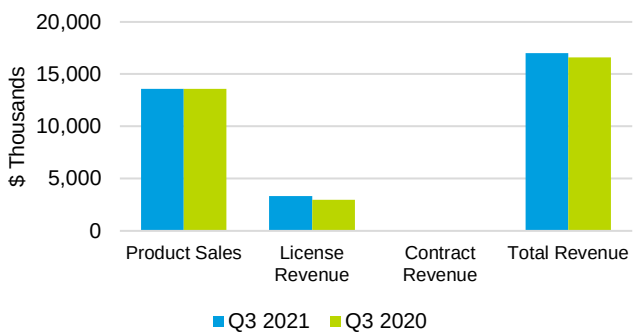
[(1)] Non-current financial liabilities are the sum of the long-term portion of long-term debt, other obligations and derivative liabilities.

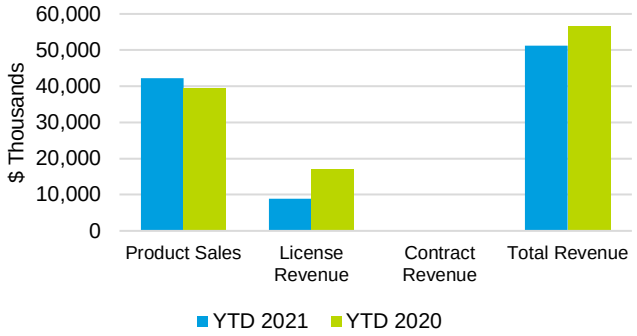
Non-IFRS Measures[(1)]

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Adjusted total revenue	**17,130**	16,669	**51,579**	53,628
Adjusted EBITDA	**7,040**	6,565	**18,771**	22,201
Adjusted EBITDA per common share				
- basic	**0.62**	0.58	**1.65**	1.95
Average number of common shares outstanding				
- basic	**11,388**	11,388	**11,388**	11,388
Cash value of loans	**115,782**	101,982	**115,782**	101,982

[(1)] Adjusted EBITDA, adjusted total revenue, adjusted EBITDA per common share and cash value of loans are Non-IFRS measures. See *Non-IFRS Measures* above for a reconciliation of non-IFRS measures to IFRS.

Results of Operations





Total Revenue
Total revenue is comprised of product sales, license revenue and contract revenue. Total revenue was $17.0 million and $51.2 million for the three and the nine months ended September 30, 2021 compared to $16.6 million and $56.5 million for the three and nine months ended September 30, 2020.

Product sales, which represent the Company's sales to wholesalers, licensees and distributors, were $13.6 million and $42.2 million for the three and nine months ended September 30, 2021 compared to $13.6 million and $39.3 million for the three and nine months ended September 30, 2020. The $nil impact in the current quarter was primarily related to an increase of $1.8 million in the Commercial Business segment, which was due to a $1.8 million increase in the Company's promoted products (Blexten, Cambia, Suvexx and NeoVisc) over the comparative quarter. The increase in the Commercial Business segment was offset by a $1.8 million decrease in the Production and Service Business segment, which was mainly due to a decrease in the Company's Pennsaid product sales.

License revenue was $3.3 million and $8.9 million for the three and nine months ended September 30, 2021 compared to $3.0 million and $17.1 million for the three and nine months ended September 30, 2020. The Company receives license revenue from its exclusive licensing agreements with global partners related to net sales of Vimovo, Resultz, Pennsaid, the HLT Patch, Yosprala and Treximet in certain territories. The increase in license revenue during the three months ended September 30, 2021 was primarily attributable to a $0.5 million increase in royalty earned on European net sales of Vimovo, a $0.2 million increase in royalty earned from net sales of Yosprala and a $0.2 million increase from the recognition of milestones in the SK Chemicals contract. This was offset by a $0.6 million decrease in royalty earned on U.S. net sales of Vimovo due to a competitor launching a generic version of Vimovo in March 2020, as well as a stronger Canadian dollar against the U.S. dollar, which reduced the contribution from U.S. denominated royalty streams in the current three-month period.

The $8.3 million decline in license revenue during the nine months ended September 30, 2021 was primarily attributable to a $3.4 million reduction in U.S. Vimovo royalty receipts due to a competitor launch of a generic version of Vimovo in the U.S. during March 2020, the recognition of a $5.5 million contract asset in the comparative nine-month period, which related to the use of the Company's Yosprala intellectual property by Takeda in Japan, as well as the stronger Canadian dollar against the U.S. dollar which reduced the contribution from certain U.S. denominated royalty streams during the current nine-month period.

Contract revenue was $50 and $73 for the three and nine months ended September 30, 2021 compared to $7 and $22 for the three and nine months ended September 30, 2020. Contract revenue is mainly derived from ad hoc service agreements for testing, development and related quality assurance and quality control services provided by the Company.

Adjusted total revenue was $17.1 million and $51.6 million for the three and nine months ended September 30, 2021 compared to $16.7 million and $53.6 million for the three and nine months ended September 30, 2020. Adjusted total revenue is a non-IFRS measure (See *Non-IFRS Financial Measures* above).

Canada Emergency Wage Subsidy
During the three months ended September 30, 2021, the Company recorded $nil in government assistance from the Canada Emergency Wage Subsidy (CEWS). The Company recognized $1.1 million in government assistance from the CEWS in the comparative three-month period. The $1.1 million of government assistance was recorded as a

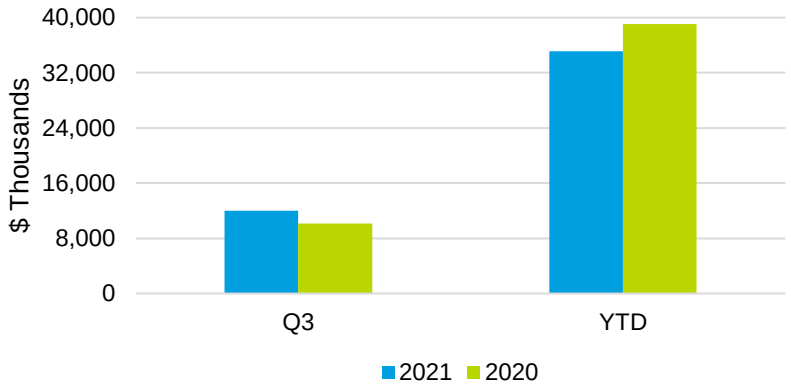
reduction of the related salary expenditures with $0.3 million recorded in sales and marketing expenses, $0.4 million recorded in G&A expenses and $0.4 million recorded in COGS

During the nine months ended September 30, 2021, the Company recorded $178 in government assistance from the CEWS. The funding was recorded as a reduction of the related salary expenditures with $58 recorded in sales and marketing expenses, $71 recorded in G&A expenses and $49 recorded in COGS. The Company recognized $1.1 million in government assistance from the CEWS in the comparative nine-month period. The $1.1 million of government assistance was recorded as a reduction of the related salary expenditures with $0.3 million recorded in sales and marketing expenses, $0.4 million recorded in G&A expenses and $0.4 million recorded in COGS.

Cost of Goods Sold

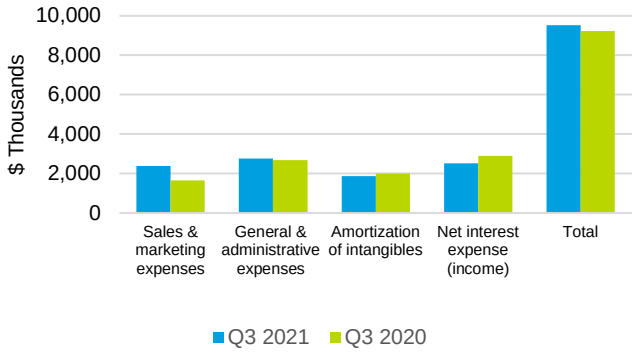
COGS for the three and nine months ended September 30, 2021 was $5.0 million and $16.1 million compared to $6.4 million and $17.4 million for the three and nine months ended September 30, 2020. Gross margin on product sales for the three and nine months ended September 30, 2021 was $8.6 million or 63% and $26.1 million or 62% compared to $7.2 million or 53% and $21.9 million or 56% for the three and nine months ended September 30, 2020. The increase in gross margin for the three months ended September 30, 2021 was the result of a change in the mix of product sales, as well as the reduction of inventory step-up expense slightly offset by a decrease in funding received from the CEWS. Inventory step up expense was $nil and $35 during the three and nine months ended September 30, 2021 compared to $0.4 million and $1.1 million during the three and nine months ended September 30, 2020. In addition, in the comparative three and nine-month periods, COGS was offset by $0.4 million received from the CEWS.

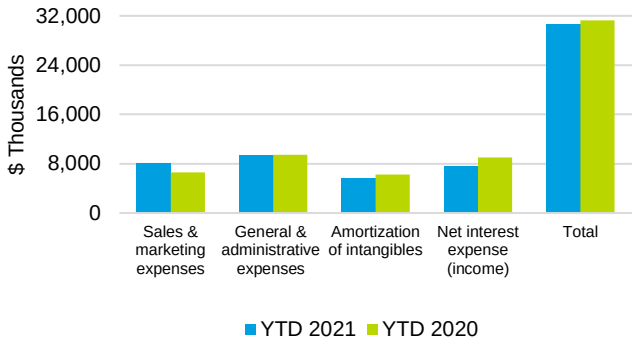
Gross Profit



Gross profit on total revenue was $12.0 million or 70% and $35.1 million or 69% for the three and nine months ended September 30, 2021 compared to a gross profit of $10.2 million or 61% and $39.1 million or 69% for the three and nine months ended September 30, 2020. The increase in gross profit and gross profit percentage for the current quarter was primarily attributable to an increase in gross margin on product sales (See *Cost of Goods Sold* above).

Operating Expenses





Total operating expenses includes sales and marketing expenses, G&A expenses, amortization of intangibles and net interest expense. Total operating expenses were $9.7 million and $30.8 million for the three and nine months ended September 30, 2021 compared to $9.2 million and $31.2 million for the three and nine months ended September 30, 2020. In the current quarter, an increase in sales and marketing expenses and G&A expenses was offset by a decrease in net interest expense and amortization of intangibles. In the current nine-month period, a decrease in net interest expense and amortization of intangibles was offset by an increase in sales and marketing and G&A expenses.

Sales and Marketing

The Company incurred $2.4 million and $8.0 million in sales and marketing expenses for the three and nine months ended September 30, 2021 compared to $1.6 million and $6.6 million for the three and nine months ended September 30, 2020. The increase in sales and marketing expenses was the result of targeted investment in certain promotional efforts for the Company's promoted products - Blexten, Cambia, Suvexx (launched September 2020) and NeoVisc (launched January 2021). In addition, in the comparative quarter, sales and marketing expenses were offset by $0.3 million received from the CEWS.

General and Administrative

G&A expenses were $2.9 million and $9.5 million for the three and nine months ended September 30, 2021 compared to $2.7 million and $9.4 million for the three and nine months ended September 30, 2020. In the comparative quarter, G&A expenses were offset by $0.4 million received from the Canadian government for the CEWS.

Amortization of Intangibles

For the three and nine months ended September 30, 2021, the Company recognized non-cash costs of $1.9 million and $5.7 million for amortization of intangibles compared to $2.0 million and $6.2 million for the three and nine months ended September 30, 2020. In the current and comparative three and nine-month periods, amortization related to the licenses and patents acquired by the Company.

Net Interest Expense

Net interest expense for the three and nine months ended September 30, 2021 was $2.5 million and $7.6 million compared to net interest expense of $2.9 million and $9.0 million for the three and nine months ended September 30, 2020. The Company's Amortization Loan and Convertible Loan, each components of the Deerfield Financing, are carried at amortized cost with effective interest rates of 10.20% and 10.13%, respectively.

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash interest paid	**1,046**	1,231	**3,127**	3,834
Non cash interest expense	**1,466**	1,673	**4,450**	5,185
Total interest expense	**2,512**	2,904	**7,577**	9,019

The Deerfield Financing requires the Company to make quarterly interest payments on outstanding loans. The interest rate for both the Amortization Loan and the Convertible Loan is a fixed 3.5%. During the three and nine months ended September 30, 2021, the Company made interest payments of $1.0 million and $3.1 million to Deerfield. During the three and nine months ended September 30, 2020, the Company made interest payments of $1.2 million and $3.9 million to Deerfield.

Other Expenses (Income)

During the three and nine months ended September 30, 2021, the Company recognized other expenses of $19.3 million and $28.6 million compared to other expenses of $3.8 million and $12.8 million for the three and nine months ended September 30, 2020.

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Change in fair value of derivative liabilities (gain)	**2,929**	5,240	**14,447**	11,141
Change in fair value of contingent and variable consideration (gain)	**94**	(289)	**(1,005)**	1,586
Impairment	**14,682**	-	**14,682**	-
Foreign currency loss (gain)	**1,439**	(1,146)	**162**	1,441
Other losses (gains)	**110**	(31)	**284**	(1,413)
Total other expenses (income)	**19,254**	3,774	**28,570**	12,755

Derivative Liabilities

The Company holds two derivative liabilities related to the Deerfield Financing – the conversion feature that is embedded in the Convertible Loan and the warrants (Warrants). These derivative liabilities are measured at fair value at each reporting period. As a result of the increase in the share price, as well as an increase in the volatility of the Company's shares, amongst other inputs, the value of the Company's derivative liabilities increased and the Company recognized a net non-cash loss of $2.9 million and $14.4 million on the change in fair value of derivative liabilities for the three and nine months ended September 30, 2021 [$5.2 million and $11.1 million net non-cash loss on the change in fair value of derivative liabilities for the three and nine months ended September 30, 2020].

Contingent and Variable Consideration

During the three and nine months ended September 30, 2021, the Company recognized a $0.1 million non-cash loss and $1.0 million non-cash gain on the change in fair value of contingent and variable consideration compared to a $0.3 million non-cash gain and a $1.6 million non-cash loss for the three and nine months ended September 30, 2020. The Company reassesses the value of contingent consideration related to Resultz and Yosprala at each reporting period. The ex-U.S. Resultz acquisition included contingent consideration related to meeting certain milestones in partnered markets, payable only if those targets are achieved, as well as variable consideration based on annual royalties earned in the non-partnered markets. The Yosprala purchase agreement included contingent consideration in the form of 50% of the lifetime net earnings from the monetization of Yosprala intellectual property. The Company has estimated contingent consideration for Yosprala intellectual property in the Japanese market.

Impairment

The Company reviewed the carrying values of certain intangible assets and goodwill as at September 30, 2021 due to changes in the commercial expectations for certain products.

In the three months ended September 30, 2021, the Company noted that despite the easing of many COVID-19 government restrictions within Canada and the uptake of people receiving the COVID-19 vaccinations, prescribers had not yet resumed to seeing patients in person, at pre-COVID-19 pandemic levels. As a result, the Company revised its commercial expectations for certain prescription products in its Commercial Business segment.

Furthermore, in the three months ended September 30, 2021, the Company revised its commercial expectations for its global Resultz product, a component of its Licensing and Royalty Business segment, as commercial performance was not meeting the Company's expectations. The Company believes its change in future commercial expectations was triggered by the evolving COVID-19 pandemic. Despite the easing of government restrictions in certain countries and the global uptake of people receiving the COVID-19 vaccination, social distancing measures continue worldwide, directly impacting the future commercial expectations for the Resultz product.

In the three and nine months ended September 30, 2021, the impairment loss of $14.7 million represented a $12.6 million write-down of goodwill and certain intangible assets in the Commercial Business segment and a $2.1 million write-down of goodwill certain intangible assets in the Licensing and Royalty Business segment.

Foreign Currency

During the three and nine months ended September 30, 2021, the Company recognized a $1.4 million and $0.2 million foreign currency loss compared to a $1.1 million foreign currency gain and a $1.4 million foreign currency loss during the three and nine months ended September 30, 2020. In the current three-month period, the weakening of the Canadian dollar against the U.S. dollar increased the carrying value of the Company's long-term debt.

Other Losses

During the three and nine months ended September 30, 2021, the Company recognized non-cash other losses of $110 and $284, primarily related to the disposal of two intangible assets and related inventories and the changes in the assumptions regarding the timing and amount of debt repayments due to forecasted excess cash flows. During the three and nine months ended September 30, 2021, the Company recognized non-cash other losses of $110 and $146 related to the changes in the assumptions regarding the timing and amount of debt repayments due to forecasted excess cash flows and deferral assumptions.

Net Income (Loss) and Total Comprehensive Income (Loss)

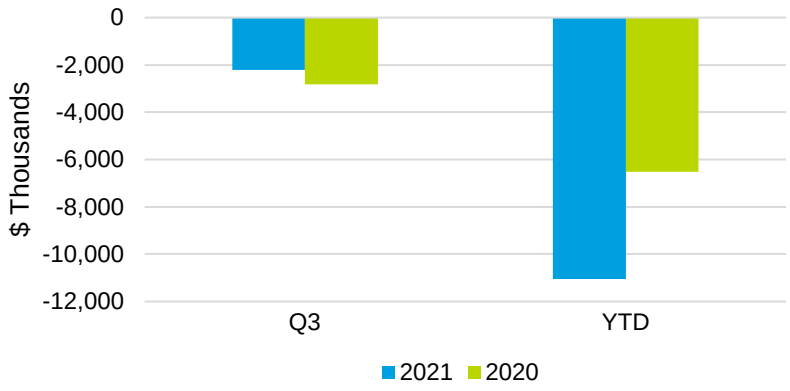
	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net income (loss) before income taxes	**(16,959)**	(2,839)	**(24,228)**	(4,941)
Income tax expense	**811**	(7)	**2,384**	1,587
Net income (loss)	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Unrealized gain (loss) on translation of foreign operations	**(232)**	498	**151**	731
Total comprehensive income (loss)	**(18,002)**	(2,334)	**(26,461)**	(5,797)

Income Tax Expense

During the three months ended September 30, 2021, the Company recognized $0.8 million of income tax expense comprised of $0.1 million of current income tax expense and $0.7 million of deferred income tax expense. The Company recognized deferred tax expense due to the utilization of loss carryforwards that were previously recognized. The Company recognized a current income tax recovery of $7 in the comparative quarter.

During the nine months ended September 30, 2021, the Company recognized $2.4 million of income tax expense comprised of $0.3 million of current income tax expense and $2.1 million of deferred income tax expense. The Company recognized deferred tax expense due to the utilization of loss carryforwards that were previously recognized. The Company recognized a current income tax expense of $1.6 million for the comparative nine-month period.

Net Income (Loss)



Net loss for the three months ended September 30, 2021 was $17.8 million compared to net loss of $2.8 million for the three months ended September 30, 2020. In the current three-month period, an increase in operating expenses and other expenses was slightly offset by an increase in gross profit. The increase in other expenses was primarily related

to the impairment expense recognized by the Company and the change in foreign currency movements, offset by change in fair value of derivative liabilities.

Net loss for the nine months ended September 30, 2021 was $26.6 million compared to a net loss of $6.5 million for the nine months ended September 30, 2020. In the current nine-month period, a decrease in gross profit and an increase in other expenses was slightly offset by a decrease in operating expenses. The increase in other expenses was primarily related to the impairment expense recognized by the Company and the change in fair value of derivative liabilities, slightly offset by the change in contingent consideration and foreign currency movements.

Total Comprehensive Income (Loss)
Total comprehensive loss for the three months ended September 30, 2021 was $18.0 million compared to total comprehensive loss of $2.3 million for the three months ended September 30, 2020. The current quarter included an unrealized loss of $0.2 million on the translation of foreign operations compared to an unrealized gain of $0.5 million in the comparative quarter.

Total comprehensive loss was $26.5 million for the nine months ended September 30, 2021 compared to a total comprehensive loss of $5.8 million for the nine months ended September 30, 2020. The current nine-month period included an unrealized gain of $0.2 million on the translation of foreign operations compared to an unrealized gain of $0.7 million in the comparative nine-month period.

Net Loss per Common Share

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net loss from per common share				
- basic	**(1.56)**	(0.25)	**(2.34)**	(0.57)
- diluted	**(1.56)**	(0.25)	**(2.34)**	(0.57)
Average number of common shares outstanding				
- basic	**11,388**	11,388	**11,388**	11,388
- diluted	**11,388**	11,388	**11,388**	11,388

Net loss per common share on a basic and diluted basis was $1.56 for the three months ended September 30, 2021 [net loss per common share on a basic and diluted basis was $0.25 for the three months ended September 30, 2020].

Net loss per common share on a basic and diluted basis was $2.34 for the nine months ended September 30, 2021 [net loss per common share on a basic and diluted basis was $0.57 for the nine months ended September 30, 2020].

The weighted average number of common shares outstanding on a basic and diluted basis was 11.4 million and 11.4 million for the three and nine months ended September 30, 2021 consistent with 11.4 million and 11.4 million for the three and nine months ended September 30, 2020.

Operating Segments

IFRS 8 – *Operating Segments* (IFRS 8) requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. For the three and nine months ended September 30, 2021, the Company had three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business.

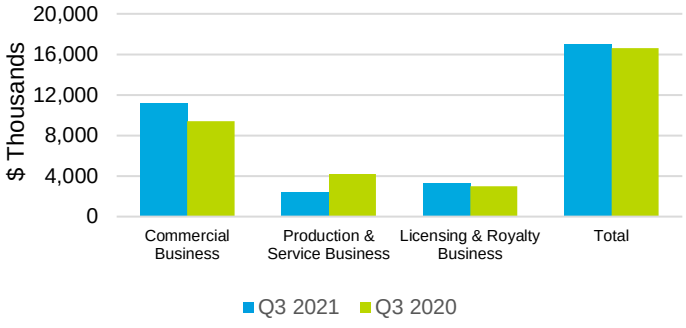
Operating Segments
The Commercial Business segment is comprised of products commercialized by the Company in Canada. This segment includes the Company's promoted products - Blexten, Cambia, Suvexx, and NeoVisc, as well as a number of mature products.

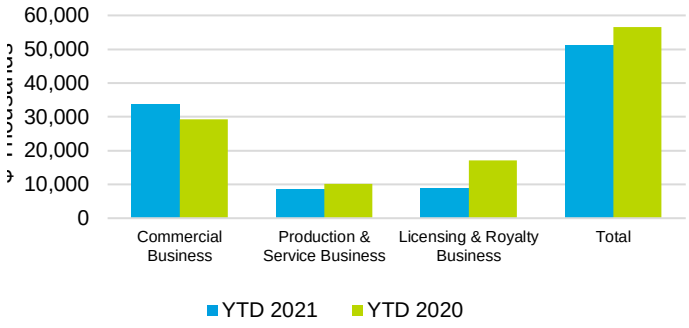
The Production and Service Business segment includes revenue from the sale of products manufactured by the Company from its manufacturing facility in Varennes, Québec or contracted by Miravo Ireland from its international

headquarters in Dublin, Ireland, as well as service revenue for testing, development and related quality assurance and quality control services provided by the Company. Key revenue streams in this segment include Pennsaid 2%, Pennsaid, and the bulk drug product for the HLT Patch.

The Licensing and Royalty Business segment includes the revenue generated by the licensing of intellectual property and ongoing royalties from exclusive licensing agreements with global partners. Key revenue streams in this segment include royalties from the Company's Vimovo, Yosprala, Resultz and HLT Patch license agreements.

Total Revenue by Operating Segment





Selected Segmented Financial Information

Commercial Business

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	Change	**Nine Months ended September 30, 2021**	Nine Months ended September 30, 2020	Change
in thousands	**$**	$	$	**$**	$	$
Revenue	**11,232**	9,410	1,822	**33,443**	29,246	4,197
Cost of Sales	**3,399**	4,260	(861)	**10,416**	11,542	(1,126)
Gross profit	**7,833**	5,150	2,683	**23,027**	17,704	5,323
Gross profit %	**69.7%**	54.7%	15.0%	**68.9%**	60.5%	8.4%

During the three and nine months ended September 30, 2021, the Company's Commercial Business segment contributed $11.2 million or 66% and $33.4 million or 65% of the Company's total revenue [$9.4 million or 57% and $29.2 million or 52% during the three and nine months ended September 30, 2020].

Revenue attributable to the Commercial Business segment increased during the three months ended September 30, 2021 due to a $1.8 million increase in sales of the Company's promoted products. In the current quarter, revenue from the Company's mature products was consistent with the three months ended September 30, 2020.

Revenue attributable to the Commercial Business segment increased during the nine months ended September 30, 2021 due to a $5.2 million increase in sales of the Company's promoted products, offset by a decrease in sales of the segment's mature products.

Gross profit attributable to the Commercial Business segment increased to $7.8 million or 65% and $23.0 million or 66% for the current three and nine-month periods compared to $5.2 million or 51% and $17.7 million or 45% for the three and nine months ended September 30, 2020. The increase in gross profit primarily related to an increase in revenue, which was the result of a change in product mix that provided more favourable profit margins, as well as the reduction of inventory step-up expense. Inventory step-up expense was $nil and $35 during the three and nine months ended September 30, 2021 compared to $0.4 million and $1.1 million during the three and nine months ended September 30, 2020.

Production and Service Business

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	Change	**Nine Months ended September 30, 2021**	Nine Months ended September 30, 2020	Change
	$	$	$	**$**	$	$
Revenue	**2,431**	4,194	(1,763)	**8,871**	10,100	(1,229)
Cost of Sales	**1,626**	2,165	(539)	**5,686**	5,890	(204)
Gross profit	**805**	2,029	(1,224)	**3,185**	4,210	(1,025)
Gross profit %	**33.1%**	48.4%	(15.3%)	**35.9%**	41.7%	(5.8%)

During the three and nine months ended September 30, 2021, the Company's Production and Service Business segment contributed $2.4 million or 14% and $8.9 million or 17% of the Company's total revenue [$4.2 million or 25% and $10.1 million or 18% during the three and nine months ended September 30, 2020] and $0.1 million or 7% and $3.0 or 9% of the Company's gross profit [$2.0 million or 20% and $4.2 million or 11% during the three and nine months ended September 30, 2020].

The decrease in the Production and Service Business segment revenue during the three months ended September 30, 2021 was primarily the result of a decrease in Pennsaid 2% product sales, slightly offset by an increase in sales of Pennsaid and a stronger Canadian dollar against the U.S. dollar, which reduced the value of U.S. denominated revenue during the current three-month period. In the current quarter, gross profit decreased as a percentage of revenue compared to the comparative quarter due to a decrease in product sales.

The decrease in the Production and Service Business segment revenue during the nine months ended September 30, 2021 was primarily the result of a decrease in Pennsaid 2% and Resultz product sales, coupled with a stronger of the Canadian dollar against the U.S. dollar, which reduced the value of U.S. denominated revenue during the current nine month period. In the nine months ended September 30, 2021, the decrease in gross profit as a percentage of revenue compared to the comparative nine-month period was primarily attributable to decreased sales, coupled with an unfavourable foreign exchange movement.

Licensing and Royalty Business

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	Change	**Nine Months ended September 30, 2021**	Nine Months ended September 30, 2020	Change
in thousands	**$**	$	$	**$**	$	$
Revenue	**3,326**	2,997	329	8,884	17,146	(8,262)
Cost of Sales	**-**	-	-	-	-	-
Gross profit	**3,326**	2,997	329	8,884	17,146	(8,262)
Gross profit %	**100%**	100%	-	100%	100%	-

During the three and nine months ended September 30, 2021, the Company's Licensing and Royalty Business segment contributed $3.3 million or 20% and $8.9 million or 17% of the Company's total revenue [$3.0 million or 18% and $17.1 million or 30% during the three and nine months ended September 30, 2020] and $3.3 million or 28% and $8.9 million or 25% of the Company's gross profit [$3.0 million or 29% and $17.1 million or 44% during the three and nine months ended September 30, 2020].

License revenue was $3.3 million and $8.9 million for the three and nine months ended September 30, 2021 compared to $3.0 million and $17.1 million for the three and nine months ended September 30, 2020. The Company receives license revenue from its exclusive licensing agreements with global partners related to net sales of Vimovo, Resultz, Pennsaid, the HLT Patch, Yosprala and Treximet in certain territories. The increase in license revenue during the three months ended September 30, 2021 was primarily attributable to a $0.5 million increase in royalty earned on European net sales of Vimovo, a $0.2 million increase in royalty earned from net sales of Yosprala and a $0.2 million increase from the recognition of milestones in the SK Chemicals contract. The increase in license revenue in the current three-month period was slightly offset by a $0.6 million decrease in royalty earned on U.S. net sales of Vimovo due to a competitor launching a generic version of Vimovo in March 2020, as well as a stronger Canadian dollar against the U.S. dollar, which reduced the contribution from U.S. denominated royalty streams during the three-month period.

The $8.3 million decline in license revenue during the nine months ended September 30, 2021 was primarily attributable to a $3.4 million reduction in U.S. Vimovo royalty receipts due to a competitor launch of a generic version of Vimovo in the U.S. during March 2020, the recognition of a $5.5 million contract asset, in the comparative nine-month period, related to the use of the Company's Yosprala intellectual property by Takeda in Japan, as well as the stronger Canadian dollar against the US dollar, which reduced the contribution from U.S. denominated royalty streams during the current nine-month period.

Financial Position

	As at September 30, 2021	As at December 31, 2020
	$	$
Financial Position		
Working capital	**9,741**	10,654
Contract assets	**2,688**	2,845
Long-lived assets	**98,544**	104,409
Right-of-use assets	**948**	1,027
Long-term debt (including current portion)	**97,885**	103,697
Other obligations (including current portion)	**3,345**	4,719
Derivative liabilities	**28,020**	13,665
Total equity	**(5,915)**	20,362

Working Capital
The Company defines the working capital above as total current assets (excluding cash and contract assets), less accounts payable and accrued liabilities and current income tax liabilities. The $0.9 million decrease in working capital from December 31, 2020 to September 30, 2021 was primarily due to the following factors:

- Accounts receivable increased $1.0 million related to an increase in sales from the Company's Commercial Business segment.
- Inventory decreased $0.9 million because of the timing of purchases and supply chain management.
- Other current assets decreased $0.7 million, primarily due to the timing of purchases of promotional supplies and payment of prepaid expenses.
- Accounts payable and accrued liabilities increased by $0.9 million, primarily attributable to the timing of payments.
- Current income tax liabilities decreased by $0.6 million due to the settlement of current tax liabilities by the Company's Irish subsidiary

Contract Assets
Contract assets represent the present value of current and future guaranteed minimum sales-based royalties, upfront fees and milestone payments that are expected to be received over the life of the licensing agreements. The Company's contract assets are subject to estimation regarding the likelihood of the minimum guaranteed sales-based royalties. Contract asset balances are reduced as the contractual minimums are realized throughout the life of the agreement. The Company carries contract assets related to Yosprala and Resultz. No new contract assets were recognized during the three and nine months ended September 30, 2021. As payments are received, and interest is accreted, the net impact reduces the contract asset balance over time.

Long-lived Assets
Long-lived assets consist of property, plant and equipment (PP&E), intangible assets and goodwill. The $5.9 million decrease for the nine months ended September 30, 2021 was primarily related to $6.1 million of intangible assets and PP&E amortization and $0.5 million disposal of intangible assets, partially offset by an increase in the balance due to additions of PP&E and software totalling $0.6 million.

Right-of-use Assets
Right-of-use assets consist of leased assets, which under IFRS 16 - *Leases* (IFRS 16), are accounted for as a right-of-use asset with a corresponding lease liability. The Company adopted IFRS 16 on January 1, 2019.

Long-term Debt
Long-term debt includes the long-term carrying values of the Company's Amortization Loan and Convertible Loan. No new loan facilities were entered into during the three and nine months ended September 30, 2021. As payments are made, and interest is accreted, the net impact reduces the long-term debt balance over time.

During the three and nine months ended September 30, 2021, the Company made principal payments of $3.7 million (US$2.9 million) and $10.3 million (US$8.3 million) to Deerfield under the Deerfield Financing.

Other Obligations
As at September 30, 2021, the Company recognized $1.4 million [December 31, 2020 - $1.5 million] of lease obligations related to IFRS 16.

The Company recognized $1.9 million in contingent and variable consideration as at September 30, 2021 [December 31, 2020 - $3.3 million], which represented the present value of the Company's probability-weighted estimate of the cash outflow related to the ex-U.S. Resultz acquisition and the profits earned from Yosprala. The ex-U.S. Resultz acquisition included contingent consideration related to meeting certain milestones in partnered markets, payable only if those targets are achieved, as well as variable consideration based on annual royalties earned in the non-partnered markets. The Yosprala purchase agreement included contingent consideration in the form of 50% of the lifetime net earnings from monetization of Yosprala intellectual property. The Company has estimated contingent consideration for the use of Yosprala intellectual property in the Japanese market.

Derivative liabilities
The Company's derivative liabilities include the conversion feature embedded in the Convertible Loan and the Warrants. These derivative liabilities are measured at fair value at each reporting period. As a result of the increase in the share price and an increase in the volatility of the Company's shares, amongst other inputs, the value of the Company's derivative liabilities increased during the nine months ended September 30, 2021.

Fluctuations in Operating Results
The Company anticipates that its quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the level and timing of product sales to the Company's customers, licensees and distributors, the timing and amount of royalties, milestones and other payments made or received pursuant to current and future licensing arrangements, interest costs associated with servicing the Deerfield Financing, revaluation of derivative liabilities, fluctuations in foreign exchange rates and the COVID-19 pandemic.

Liquidity and Capital Resources

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net loss	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Items not involving current cash flows	**23,992**	7,992	**40,957**	21,090
Cash provided by operations	**6,222**	5,160	**14,345**	14,562
Net change in non-cash working capital	**(669)**	2,767	**1,165**	3,303
Payment of contingent consideration	**(92)**	(69)	**(182)**	(1,135)
Cash provided by operating activities	**5,461**	7,858	**15,328**	16,730
Cash provided used in investing activities	**(199)**	(49)	**(75)**	31
Cash used in financing activities	**(3,758)**	(3,721)	**(10,447)**	(19,009)
Effect of exchange rates on cash	**(359)**	(137)	**(203)**	337
Net change in cash during the period	**1,145**	3,951	**4,603**	(1,911)
Cash and cash equivalents, beginning of the period	**27,265**	17,157	**23,807**	23,019
Cash and cash equivalents, end of the period	**28,410**	21,108	**28,410**	21,108

Cash and Cash Equivalents
Cash and cash equivalents were $28.4 million as at September 30, 2021 compared to $21.1 million as at September 30, 2020.

Cash Provided by Operating Activities
Overall cash provided by operating activities decreased to $5.5 million and $15.3 million for the three and nine months ended September 30, 2021 compared to $7.9 million and $16.7 million for the three and nine months ended September 30, 2020.

In the current quarter, the $0.7 million used in non-cash working capital was primarily attributable to a $0.4 million decrease in accounts receivable due to the timing of receipts, a $0.1 million decrease in inventories due to the timing of purchases and supply chain management, and a $0.2 million decrease in other current assets, primarily related to the use of promotional supplies and prepaid expenses, offset by a $0.9 million decrease in accounts payable and accrued liabilities, due to the timing of payments and a $0.7 million decrease in current income taxes payable due to the settlement of current tax liabilities by the Company's Irish subsidiary.

In the current nine-month period, the $1.2 million provided by non-cash working capital was attributable to a $0.8 million decrease in inventories due to the timing of purchases and supply chain management, a $0.3 million decrease in contract assets, a $0.7 million decrease in other current assets, primarily related to promotional supplies and prepaid expenses and a $0.9 million increase in accounts payable and accrued liabilities, primarily due to the timing of payments, offset by a $0.9 million increase in accounts receivable due to increase product sales in the Company's Commercial Business Segment and a $0.6 million decrease in income taxes payable due to the settlement of current tax labilities by the Company's Irish subsidiary.

Cash Used in Investing Activities
Net cash used in investing activities was $0.2 million and $0.1 million for the three and nine months ended September 30, 2021 compared to net cash used in investing activities of $49 for the three months ended September 30, 2020 and net cash provided by investing activities of $31 for the nine months ended September 30, 2020. In the current three-month period, cash used by investing activities, primarily included additions to intangible assets. In the current nine-month period, cash used by investing activities included additions to intangible assets and PP&E, offset by cash received for the disposal of intangible assets.

Cash Used in Financing Activities
Net cash used in financing activities was $3.8 million and $10.4 million for the three and nine months ended September 30, 2021 compared to $3.7 million and $19.0 million for the three and nine months ended September 30, 2020. During the three months ended September 30, 2021, the Company repaid $3.7 million (US$2.9 million) of debt to Deerfield and paid $56 as cash payments for lease liabilities. During the nine months ended September 30, 2021, the Company repaid $10.3 million (US$8.3 million) of debt to Deerfield and paid $169 million as cash payments for lease liabilities.

Capital Structure
The Company's stated strategy is to expand its Canadian and international business through targeted in-licensing and acquisition opportunities. To execute this strategy, the Company may need to access the additional capacity under its senior secured term loan facility or seek alternate sources of financing.

In April 2021, the Company filed and obtained a receipt for a final base shelf prospectus (the Prospectus) with the securities regulatory authorities in each of the provinces of Canada. The Company has filed the Prospectus to maintain financial flexibility and to have the ability to offer the securities on an accelerated basis pursuant to the filing of prospectus supplements. The Prospectus is valid for a 25-month period, during which time the Company may offer and issue, from time-to-time, common shares, preferred shares, debt securities, warrants and subscription receipts, or any combination thereof, having an aggregate offering value of up to $40 million.

The Company expects to continue to be able to meet all obligations as they become due using some or all of the following sources of liquidity: cash flow generated from operations, existing cash and cash equivalents on hand, and additional borrowing capacity under its senior secured term loan facility. In addition, subject to market conditions, the Company may raise funding through equity financing. The Company believes that its capital structure will provide it with financial flexibility to pursue future growth strategies. However, the Company's ability to fund operating expenses and debt service requirements will depend on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors, including the impact of the COVID-19 pandemic and other factors beyond the Company's control. See *Risk Factors*.

Selected Quarterly Information

The following is selected quarterly financial information for the Company over the last eight quarterly reporting periods.

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020[1]	Q4 2019
	$	$	$	$	$	$	$	$
Product sales	**13,613**	17,216	11,412	12,876	13,597	12,253	13,474	13,317
License revenue	**3,326**	2,548	3,010	4,373	2,997	3,277	10,872	6,043
Contract revenue	**50**	23	-	34	7	-	15	233
Sales and marketing expenses	**2,405**	2,654	2,930	2,352	1,643	2,703	2,230	1,968
General and administrative expenses	**2,880**	3,707	2,946	3,461	2,684	2,808	3,940	3,941
Net income (loss)	**(17,770)**	9,147	(17,989)	2,399	(2,832)	(1,967)	(1,729)	(418)
Net income (loss) per common share								
- basic	**(1.56)**	0.80	(1.58)	0.21	(0.25)	(0.17)	(0.15)	(0.04)
- diluted	**(1.56)**	0.10	(1.58)	0.05	(0.25)	(0.17)	(0.15)	(0.04)

Non-IFRS Measures								
Adjusted total revenue	**17,130**	19,900	14,549	17,331	16,669	18,046	18,913	19,644
Adjusted EBITDA	**7,040**	7,380	4,351	6,242	6,565	7,646	7,990	8,570
Adjusted EBITDA per common share								
- basic	**0.62**	0.65	0.38	0.55	0.58	0.67	0.70	0.75
Cash value of loans (US$)	**90,874**	93,818	96,318	99,180	101,982	104,777	107,277	115,952

[1] Includes restated figures for the three months ended March 31, 2020.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments at Amortized Cost

For the three and nine months ended September 30, 2021, the Company recognized $34 and $115 in interest income from financial assets held at amortized cost [$5 and $25 for the three and nine months ended September 30, 2020].

For the three and nine months ended September 30, 2021, the Company recognized $2.6 million and $7.7 million in interest expense from financial liabilities held at amortized cost [$2.9 million and $9.1 million for the three and nine months ended September 30, 2020].

Credit Risk

The Company, in the normal course of business, is exposed to credit risk from its global customers, most of whom are in the pharmaceutical industry. The accounts receivable and contract assets are subject to normal industry risks in each geographic region in which the Company operates. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement.

As at September 30, 2021, the Company's largest customer represented 25% [December 31, 2020 - 30%] of accounts receivable. Pursuant to their collective terms, accounts receivable, net of allowance, were aged as follows:

	September 30, 2021	December 31, 2020
	$	$
Current	**8,215**	7,018
0 - 30 days past due	**-**	463
31 - 60 days past due	**132**	2
Over 60 days past due[(i)]	**110**	5
	8,457	7,488

(1) See *loss allowance provision* below.

The loss allowance provision for all segments as at September 30, 2021 was determined using reference to expected loss rates and management judgment as follows:

		Current	**Less than 61 days past due**	**61 to 120 days past due**	**121 to 180 days past due**	**More than 181 days past due**	**Total**
Expected loss rate	**%**	0%	0%	25%	50%	100%	
Gross carrying amount	**$**	8,219	136	135	-	-	8,490
Loss allowance provision[(i)]	**$**	(4)	(4)	(25)	-	-	(33)

(1) Loss allowance provision balance consists of credit memos and purchase deductions on invoices that take time to be processed. As a result, loss provision was 0%.

During the three months ended September 30, 2021, the Company recorded $43 of bad debt reversal in total comprehensive income (loss) [$nil of bad debt reversal for the three months ended September 30, 2020]. During the nine months ended September 30, 2021, the Company recorded $57 of bad debt reversal in total comprehensive income (loss) [$nil of bad debt reversal for the nine months ended September 30, 2020]. For the three and nine months ended September 30, 2021, the impairment of accounts receivable was assessed based on the incurred loss model in compliance with IFRS 9. Individual receivables that were known to be uncollectible were written off by reducing the carrying amount directly.

For contract assets within the scope of IFRS 15 - *Revenue from Contracts with Customers*, the Company recognizes an asset to the extent contractual minimums established in certain customer licensing agreements are deemed fixed consideration. After analysis of historical default rates and forward-looking estimates, the Company's contract assets were considered to have low credit risk, and as a result, the Company has not recognized a loss allowance as at September 30, 2021 [December 31, 2020 - $nil].

The Company's cash and cash equivalents subject the Company to a concentration of credit risk. As at September 30, 2021, the Company had $28.4 million deposited with three financial institutions in various bank accounts. These financial institutions are major banks located in Canada, the U.S. and Ireland, which the Company believes lessens the degree of credit risk. The Company has not recognized a loss allowance as at September 30, 2021 [December 31, 2020 - $nil].

The Company has not noted a significant change in the credit risk of the financial instruments related to the recent novel coronavirus (COVID-19) pandemic.

Financial Instruments

IFRS 7 - *Financial Instruments, Disclosures* requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. All assets and liabilities for which fair value is measured or disclosed in these Condensed Consolidated Interim Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2021.

As at September 30, 2021, the Company's financial assets and liabilities consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, contingent and variable consideration, long-term debt and derivative liabilities. 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.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities (excluding SARs and DSUs) are measured at amortized cost and their fair values approximate carrying values. Cash and cash equivalents are Level 1, while the other short-term financial instruments are Level 3.

Level 1 liabilities include obligations of the Company for the DSU. The fair values of the DSUs issued and outstanding are revalued at each reporting period using the period-end share price. The Company accrued $88 for DSUs as at September 30, 2021 [September 30, 2020 - $nil].

Level 2 liabilities include obligations of the Company for the SARs Plan. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model. The Company accrued $39 for SARs as at September 30, 2021 [September 30, 2020 - $nil].

The fair values of the Loans are Level 3 measurements determined using a discounted cash flow model that considers the present value of the contractual cash flows using a risk-adjusted discount rate. The Company recognized $97.9 million for the Amortization Loan and host liability of the Convertible Loan as at September 30, 2021 [December 31, 2020 - $103.7 million].

The conversion feature that accompanies the Company's Convertible Loan is considered a Level 3 liability. The value is determined as the difference between the fair value of the hybrid Convertible Loan contract, using an income approach with a binomial-lattice model and the fair value of the host liability contract, using a discounted cash flow model. The Company recognized $11.5 million for the conversion feature as at September 30, 2021 [December 31, 2020 - $5.7 million].

The fair values of the prepayment option that allows the Company to make prepayments against the Amortization Loan at any time is considered a Level 3 financial instrument. The fair value of the prepayment option bifurcated from the Amortization Loan was a derivative asset with a nominal value as at September 30, 2021 and is presented net of the non-current portion of the long-term debt. The fair value of this option was determined using a binomial-lattice model.

The fair value of the Company's Warrants is revalued at each reporting period using the Black-Scholes option pricing model. As at September 30, 2021, the Company recognized a $16.5 million derivative liability related to outstanding Warrants [December 31, 2020 - $8.0 million]. These Warrants are Level 3.

Level 3 liabilities include the fair value of contingent and variable consideration related to the acquisition of the ex-U.S. rights to Resultz and Yosprala.

Risk Factors

The following is a discussion of liquidity risk, interest rate risk, currency risk and market risk and related mitigation strategies that have been identified. Credit risk has been discussed in the Company's assessment of impairment under IFRS 9. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations as they become due.

As at September 30, 2021, the Company's financial liabilities had undiscounted contractual maturities (including interest payments where applicable) as summarized below:

		Current	Non-current		
	Total	**Within 12 Months**	**1 to 2 Years**	**2 to 5 Years**	**> 5 Years**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**9,247**	9,247	-	-	-
Other obligations	**4,257**	1,282	1,399	488	1,088
Senior secured Amortization Loan	**52,198**	14,266	27,178	10,754	-
Senior secured Convertible Loan	**74,617**	2,374	4,754	67,489	-
	140,319	**27,169**	**33,331**	**78,731**	**1,088**

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations or to refinance its obligations on commercially reasonable terms could have a materially adverse impact on the Company's business, financial condition or operating results.

Due to the impact of the COVID-19 pandemic on the economic environment, the Company has reviewed the working capital requirements as a result of managing the supply chain and changes in demand. The Company anticipates that its current cash of $28.4 million as at September 30, 2021, together with the cash flows generated from operations, will be sufficient to execute its current business plan for the next 12 months and to meet its current debt obligations.

Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company's loans and borrowings and lease obligations are at fixed interest rates.

The fair value of the Company's prepayment option on the Amortization Loan and the Company's derivative liabilities are impacted by market rate changes.

Currency Risk

The Company operates globally, which gives rise to a risk that income and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar and euro, but also transacts in other foreign currencies. The Company currently does not use financial instruments to hedge these risks.

The significant balances in foreign currencies were as follows:

	U.S. Dollar		Euro	
	Sept. 30, 2021	Dec. 31, 2020	**Sept. 30, 2021**	Dec. 31, 2020
	$	$	**€**	€
Cash and cash equivalents	**4,597**	7,214	**1,600**	1,444
Accounts receivable	**3,096**	3,145	**386**	133
Contract assets	**1,780**	1,964	**-**	-
Loans and borrowings	**(76,847)**	(81,468)	**-**	-
Derivative liabilities	**(9,088)**	(4,452)	**-**	-
Accounts payable and accrued liabilities	**(601)**	(803)	**(169)**	(281)
Other obligations	**(1,368)**	(1,882)	**(102)**	(552)
	(78,431)	(76,282)	**1,715**	744

Based on the aforementioned net exposure as at September 30, 2021, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $10.0 million on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the Euro would have an effect of $254 on total comprehensive income (loss).

In terms of the U.S. dollar, the Company has five significant exposures: its U.S. dollar-denominated cash held in its Canadian operations, its U.S. dollar-denominated loans and borrowings and derivative liabilities held in its Canadian and European operations, its net investment and net cash flows in its European operations, the cost of purchasing raw

materials either priced in U.S. dollars or sourced from U.S. suppliers and payments made to the Company under its U.S. dollar-denominated licensing arrangements.

The Company does not currently hedge its U.S. dollar cash flows. The Company funds its U.S. dollar-denominated interest expense and loan obligations using the Company's U.S. dollar-denominated cash and cash equivalents and payments received under the terms of the licensing and supply agreements. Periodically, the Company reviews its projected future U.S. dollar cash flows and if the U.S. dollars held are insufficient, the Company may convert a portion of its other currencies into U.S. dollars. If the amount of U.S. dollars held is excessive, they may be converted into Canadian dollars or other currencies, as needed for the Company's other operations.

Market Risk
The Company's derivative liabilities, the Warrants and the conversion feature that accompanies the Company's Convertible Loan, are impacted by a variety of valuation inputs, including changes in the Company's share price. As at September 30, 2021, a $1.00 increase in the Company's share price would increase the value of the Warrants by $16.3 million and an increase to the conversion feature of $11.6 million, with a corresponding loss of $27.9 million recognized in the change in fair value of derivative liabilities. As at September 30, 2021, a further $1.00 increase in the Company's share price for a total adjustment of $2.00 would further increase the value of the Warrants by $17.6 million and increase the value of the conversion feature by $12.6 million, with a corresponding additional loss of $30.2 million recognized in the change in fair value of derivative liabilities.

The Company has not noted a significant change in the market risk due to changes to the Company's share price as a result of the impact of the COVID-19 pandemic on the economic environment.

Contractual Obligations

The following table lists the Company's contractual obligations for the nine months ending September 30 as follows:

	2021	2022	2023	2024	2025	2026 and thereafter	**Total**
	$	$	$	$	$	$	**$**
Variable lease payments	223	223	223	223	223	986	**2,101**
Lease liability (principal and interest)	225	236	238	238	249	1,088	**2,274**
Deerfield Financing[(1)]	16,640	16,188	15,744	78,242	-	-	**126,814**
Purchase commitments	3,976	4,292	4,077	1,067	-	-	**13,412**
Other obligations[(2)]	12,113	789	318	1,440	242	229	**15,131**
	33,177	**21,728**	**20,600**	**81,210**	**714**	**2,303**	**159,732**

(1) Included in the Deerfield Financing is the Convertible Loan in the principal amount of US$52.5 million, convertible into 19,444,444 common shares of the Company at a conversion price of US$2.70.
(2) Other obligations include accounts payable and accrued liabilities and contingent and variable consideration.

The Deerfield Financing
On December 31, 2018, the Company and Miravo Ireland, as borrowers, and Aralez Pharmaceuticals Canada Inc., as guarantor, entered into the Deerfield Facility Agreement with Deerfield, as agent and certain funds managed by Deerfield, as lenders, to fund the purchase price of the Aralez Transaction (the Deerfield Financing).

The Deerfield Financing consisted of (i) a 6-year, amortizing loan made available to Miravo Ireland in the principal amount of US$60 million with a fixed interest rate of 3.5% per annum (the Amortization Loan), (ii) an 18-month Bridge Loan made available to the Company in the principal amount of US$6.0 million with an interest rate of 12.5% per annum (the Bridge Loan), (iii) a 6-year, Convertible Loan made available to the Company in the principal amount of US$52.5 million with a fixed interest rate of 3.5% per annum, initially convertible into 19,444,444 common shares of the Company at a conversion price of US$2.70 (the Convertible Notes), and (iv) 25,555,556 million common share purchase Warrants, each such Warrant initially exercisable for one common share of the Company for a period of six years from the date of issuance at an exercise price of $3.53 per share.

Each quarter, the Company shall pay to the lenders the greater of US$2.5 million or 50% of the Company's excess cash flows (a defined term in the Deerfield Facility Agreement), which is applied in the following order: (a) any unpaid fees and transaction costs; (b) proportionately to any accrued and unpaid interest related to these Loans; (c) any unpaid

principal of the Bridge Loan, including the applicable prepayment fee; (d) any unpaid principal of the Amortization Loan, including the applicable prepayment fee; and (e) any other obligations owing to the lenders, administrative agent or other secured parties (the Waterfall Provisions). Quarterly principal payments are to be made on the Amortization Loan until December 31, 2024.

The Company agreed to an amendment to the financing agreement dated June 25, 2019 to provide, among other things, for a payment deferral mechanism in the event that Vimovo U.S. market exclusivity is lost. The amendment allows the Company to defer a portion of the mandatory minimum quarterly repayments by the difference between one quarter of the then existing US$7.5 million (US$1.9 million per quarter) minimum annual royalty due from Vimovo sales in the U.S. and the actual amount of royalties received in the applicable quarter, in the event Vimovo U.S. market exclusivity is lost earlier than had been expected (2022) prior to the Court of Appeals decision. A generic version of Vimovo entered the U.S. market in the three months ended March 31, 2020 resulting in such loss of exclusivity. The amount of any principal repayment deferred would, until repaid in accordance with the amendment, be subject to an interest rate of 12.5% per annum. To-date, the Company has not availed itself of the deferral mechanism. The carrying value of the debt includes assumptions regarding the deferral option when estimating the timing of payments. As a result of changes in the assumptions regarding the timing of the payments, losses of $110 and $146 were recorded for the three and nine months ended September 30, 2021 compared to gains of $0.2 million and $1.7 million for the three and nine months ended September 30, 2020.

Litigation

From time-to-time, during the ordinary course of business, the Company may be threatened with, or may be named as, a defendant in various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damage claims.

On October 30, 2019, the Company received an application for an industry-wide class action in the Superior Court of Québec. In the application, the Company was named as a defendant, along with 33 other defendants, which includes a group of companies that manufacture, market, and/or distribute opioids in Québec. The claim is for $30, plus interest for compensatory damages for each class member, $25.0 million from each defendant for punitive damages and pecuniary damages for each class member. The Company believes that the claim is without merit and intends to vigorously defend the matter.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

For the three months ended September 30, 2021, there were no related party transactions.

Outstanding Share Data

The number of common shares outstanding as at September 30, 2021 was 11.4 million. The Company had no preferred shares issued and outstanding as at September 30, 2021.

As at September 30, 2021, there were 1.6 million options outstanding of which 1.2 million have vested. The Company also has 25.6 million common share purchase Warrants outstanding, each exercisable for one common share of the Company at an exercise price of $3.53 per share. As at September 30, 2021, 11.3 million of the 25.6 million Warrants outstanding were classified as Flexible Exercise Shares. The Convertible Loan is convertible into 19.4 million common shares of the Company at a conversion price of US$2.70 per share.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to

understanding the Consolidated Financial Statements and those that require the application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 2, *Basis of Preparation* of the Company's Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2021 and in Note 3, *Summary of Significant Accounting Policies* of the Company's annual Consolidated Financial Statements found on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

Recent Accounting Pronouncements

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

Amendments to IFRS 9 - Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9 - *Financial Instruments* (IFRS 9). The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 - *Definition of Accounting Estimates*, in which it introduces a definition of 'accounting estimates.' The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Amendments to IAS 1 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 - *Disclosure of Accounting Policies* (IAS 1) and IFRS Practice Statement 2, *Making Materiality Judgements* (Practice Statement 2), in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provides non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The amendments are not expected to have a material impact on the Company.

Management's Responsibility for Financial Reporting

The Company's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. Disclosure controls and procedures (DCP) are designed to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the filings are being prepared, and (ii) 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 is also responsible for the design of internal controls over financial reporting (ICFR) within the Company, 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.

As of the end of the period covered by this MD&A, the Chief Executive Officer and the Chief Financial Officer of the Company have reviewed and evaluated the Company's DCP (as that term is defined in National Instrument 52-109 – *Certification of Disclosures in Issuers' Annual and Interim Filings* (NI 52-109)) and, based upon that review and evaluation, concluded that those DCP were effective and met the requirements thereof. Nevertheless, management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

NI 52-109 requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the internal controls for the Company that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls or internal controls over financial reporting of the Company will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part 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 potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have evaluated the design and operating effectiveness of the internal controls over financial reporting of the Company and concluded that, as of September 30, 2021, and subject to the inherent limitations described above, internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the framework and criteria used by the Company.

There have been no changes in the ICFR of the Company during the period of this MD&A that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Risk Factors

Prospects for companies in the biotechnology and pharmaceutical industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology and pharmaceutical companies should be

regarded as speculative. An investor should carefully consider the information contained in this MD&A, in addition to the risk factors discussed in the Company's AIF under the heading "Risk Factors", which section is hereby incorporated herein by reference. The disclosures in this MD&A are subject to the risk factors outlined in the AIF. 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. If any one or more of the risks occur as outlined in the AIF, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's common shares could decline. Before making an investment decision, each prospective investor should carefully consider the risk factors included in the AIF and other public documents.

Disease Outbreaks

The occurrence of an illness that leads, 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 ongoing COVID-19 pandemic, or any similar illness or mutations thereof, could affect the Company's business as a result of a general or acute short or medium-term decline in economic activity affecting the Company's supply chain, the markets for its products, production capacity and staffing levels, and could lead to increased government regulation, quarantine measures, as well as restrictions on travel and the movement of persons or goods. Each of these risk factors has the potential to have a material adverse impact on the Company's business, financial condition and results of operations.

As a result of COVID-19, border closures and economic and supply chain disruptions could materially affect the Company's financial results and operations. The COVID-19 pandemic could also cause significant impacts to product demand in connection with an ensuing economic downturn and contribute to supply shortages, trade disruption, temporary staff shortages and temporary closures of facilities. The extent to which COVID-19 and its effect on the economy will continue to impact the Company's financial results and operations may lead to adverse changes in the Company's cash flows, working capital levels, debt balances, operating results and financial position. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company's business remains uncertain.

Impairment Risk

Impairment exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Certain intangible assets and goodwill of the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or goodwill may not be recoverable. As noted above, in the three months ended September 30, 2021, the Company revised its commercial expectations for certain prescription products in its Commercial Business Segment and Licensing and Royalty Business Segment as a result of the ongoing impacts of COVID-19, resulting in the recordation of impairment losses.

The uncertainties regarding the continued effect of the COVID-19 pandemic require the use of significant judgments and estimates by management. There is a risk of further material impairment of our intangible assets and goodwill if our commercial expectations continue to be unmet, a heightened risk as a result of COVID-19, and any such impairments may have a material adverse impact on the Company's business, financial condition and results of operations.

Forward-looking Statements

This MD&A contains "forward-looking information" as defined under Canadian securities laws (collectively, forward-looking statements). This document should be read in conjunction with material contained in the Company's Condensed Consolidated Financial Interim Statements for the three and nine months ended September 30, 2021, along with the Company's other publicly filed documents. Forward-looking statements appear in this MD&A and include, but are not limited to, statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects, opportunities and macroeconomic and industry trends.

The words "plans", "expects", "does not expect", "goals", "seek", "strategy", "future", "estimates", "intends", "anticipates", "does not anticipate", "projected", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "should", "might", "likely", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements. Forward-looking statements are not historical facts but instead represent management's expectations,

estimates and projections regarding future events or circumstances. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the ability of the Company to execute its growth strategies;
- the ability of the Company to meet its debt commitments;
- the Company's competitive position within its industry;
- expectations regarding laws, rules and regulations applicable to the Company and the drug development process in general;
- expectations regarding ongoing litigation with respect to the Company's and competitors' products;
- expectations regarding industry and demographic trends applicable to the Company;
- expectations regarding the receipt of regulatory decisions applicable to the Company's or competitors' products;
- expectations regarding the receipt of milestone and royalty payments in respect of the Company's products; and
- the expected impact of COVID-19 on the operations, business and financial results of the Company.

Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the Company.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the Company as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the Company's future growth potential, results of operations, future prospects and opportunities, the competitive landscape, industry trends, legislative or regulatory matters, future levels of indebtedness, availability of capital and current economic conditions.

When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially from the results discussed in the forward-looking statements, including, but not limited to:

- the impact of changing conditions in the regulatory environment and drug development processes;
- increasing competition in the industries in which the Company operates;
- the inability of the Company to meet its debt commitments;
- the impact of unexpected product liability matters;
- the impact of ongoing litigation involving the Company and/or its products;
- the impact of changes in relationships with customers and suppliers;
- the degree of intellectual property protection currently afforded to the Company's products;
- the conditions applicable to the Company's milestone and royalty payments being met or unmet;
- the degree of market acceptance of the Company's products;
- changes in prevailing economic conditions;
- developments and changes in applicable laws and regulations;
- the impact of COVID-19 on the operations, business and financial results of the Company; and
- such other factors discussed under "Risk Factors" in the Company's most recent AIF.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail under "Risk Factors" in the AIF should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

All forward-looking statements are based only on information currently available to the Company and are made as of the date of this MD&A. Except as expressly required by applicable Canadian securities law, the Company assumes no

obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Additional Information

Additional information relating to the Company, including the Company's most recently filed AIF and Management Information Circular, can be found on SEDAR at www.sedar.com (under Nuvo Pharmaceuticals Inc.).

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Canadian dollars in thousands)	***Notes***	**As at September 30, 2021** **$**	As at December 31, 2020 $
ASSETS			
CURRENT			
Cash and cash equivalents	*15*	**28,410**	23,807
Accounts receivable	*15*	**8,457**	7,488
Inventories	*3*	**8,621**	9,490
Other current assets		**2,009**	2,699
Contract assets	*13, 16*	**2,545**	251
TOTAL CURRENT ASSETS		**50,042**	43,735
NON-CURRENT			
Contract assets	*13, 16*	**143**	2,594
Right-of-use assets		**948**	1,027
Property, plant and equipment		**3,204**	3,478
Intangible assets		**66,072**	73,486
Goodwill		**14,631**	27,445
TOTAL ASSETS		**135,040**	151,765
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**9,247**	8,314
Current portion of long-term debt	*6*	**12,067**	12,337
Current portion of other obligations	*8*	**1,472**	396
Current income tax liabilities	*19*	**99**	709
TOTAL CURRENT LIABILITIES		**22,885**	21,756
Long-term debt		**85,818**	91,360
Other obligations	*8*	**1,873**	4,323
Derivative liabilities	*7*	**28,020**	13,665
Deferred income tax liabilities	*19*	**2,359**	299
TOTAL LIABILITIES		**140,955**	131,403
EQUITY			
Common shares	*9*	**184,764**	184,764
Contributed surplus	*9, 10*	**16,337**	16,153
Accumulated other comprehensive income (AOCI)		**188**	37
Deficit		**(207,204)**	(180,592)
TOTAL EQUITY		**(5,915)**	20,362
TOTAL LIABILITIES AND EQUITY		**135,040**	151,765

Note 14, *Commitments and Contingencies*

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

		Three Months ended September 30		Nine Months ended September 30	
		2021	2020	**2021**	2020
(Canadian dollars in thousands, except per share and share figures)	***Notes***	**$**			$
REVENUE					
Product sales	*16, 17*	**13,613**	13,597	**42,241**	39,324
License revenue	*16, 17*	**3,326**	2,997	**8,884**	17,146
Contract revenue	*16, 17*	**50**	7	**73**	22
Total revenue		**16,989**	16,601	**51,198**	56,492
Cost of goods sold	*3, 17, 18*	**5,025**	6,425	**16,102**	17,432
Gross profit		**11,964**	10,176	**35,096**	39,060
OPERATING EXPENSES					
Sales and marketing expenses	*17, 18*	**2,405**	1,643	**7,989**	6,576
General and administrative expenses	*17, 18*	**2,880**	2,684	**9,533**	9,432
Amortization of intangibles	*17*	**1,872**	2,010	**5,655**	6,219
Net interest expense	*11,17*	**2,512**	2,904	**7,577**	9,019
Total operating expenses		**9,669**	9,241	**30,754**	31,246
OTHER EXPENSES (INCOME)					
Change in fair value of derivative liabilities	*7, 17*	**2,929**	5,240	**14,447**	11,141
Change in fair value of contingent and variable consideration (gain)	*6, 17*	**94**	(289)	**(1,005)**	1,586
Impairment	*4, 5*	**14,682**	-	**14,682**	-
Foreign currency loss (gain)		**1,439**	(1,146)	**162**	1,441
Other losses (gains)	*17*	**110**	(31)	**284**	(1,413)
Net income (loss) before income taxes		**(16,959)**	(2,839)	**(24,228)**	(4,941)
Income tax expense	*17, 19*	**811**	(7)	**2,384**	1,587
NET INCOME (LOSS)		**(17,770)**	(2,832)	**(26,612)**	(6,528)
Other comprehensive income (loss) to be reclassified to net loss in subsequent periods					
Unrealized gain (loss) on translation of foreign operations		**(232)**	498	**151**	731
TOTAL COMPREHENSIVE INCOME (LOSS)		**(18,002)**	(2,334)	**(26,461)**	(5,797)
Net income (loss) per common share					
- basic	*12*	**(1.56)**	(0.25)	**(2.34)**	(0.57)
- diluted	*12*	**(1.56)**	(0.25)	**(2.34)**	(0.57)
Average number of common shares outstanding (in thousands)					
- basic	*12*	**11,388**	11,388	**11,388**	11,388
- diluted	*12*	**11,388**	11,388	**11,388**	11,388

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars in thousands, except for number of shares)	Common Shares		Contributed Surplus	AOCI	Deficit	Total
	000s	$	$	$	$	$
Notes	*9, 10*	*9, 10*	*9, 10*			
Balance, December 31, 2019	11,388	184,764	15,892	(63)	(176,501)	24,092
Stock option compensation expense	-	-	208	-	-	208
Unrealized gain on translation of foreign operations	-	-	-	731	-	731
Net loss	-	-	-		(6,528)	(6,528)
Balance, September 30, 2020	11,388	184,764	16,100	668	(183,029)	18,503
Stock option compensation expense	-	-	53	-	-	53
Unrealized loss on translation of foreign operations	-	-	-	(631)	-	(631)
Net loss	-	-	-		2,437	2,437
Balance, December 31, 2020	11,388	184,764	16,153	37	(180,592)	20,362
Stock option compensation expense	-	-	184	-	-	184
Unrealized gain on translation of foreign operations	-	-	-	151	-	151
Net loss	-	-	-	-	(26,612)	(26,612)
Balance, September 30, 2021	**11,388**	**184,764**	**16,337**	**188**	**(207,204)**	**(5,915)**

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

		Three Months ended September 30		Nine Months ended September 30	
		2021	2020	**2021**	2020
(Canadian dollars in thousands)	***Notes***	**$**	$	**$**	$
OPERATING ACTIVITIES					
Net income (loss)		**(17,770)**	(2,832)	**(26,612)**	(6,528)
Items not involving current cash flows:					
Depreciation and amortization		**2,021**	2,250	**6,125**	6,965
Impairment	*4, 5*	**14,682**	-	**14,682**	-
Other losses		**-**	-	**138**	-
Contract asset additions	*13, 16*	**-**	-	**-**	(5,496)
Contract asset change in estimate	*13, 16*	**-**	-	**-**	561
Provision for deferred income taxes		**679**	-	**2,060**	-
Accreted non-cash interest, net and amortization of deferred financing fees	*6*	**1,314**	1,655	**4,480**	5,235
Change in fair value of long-term debt	*6*	**110**	(188)	**146**	(1,716)
Change in fair value of derivative liabilities	*7*	**2,929**	5,240	**14,447**	11,141
Equity-settled stock-based compensation	*10*	**41**	50	**184**	208
Unrealized foreign exchange (gain) loss		**2,165**	(1,025)	**(236)**	1,565
Change in fair value of contingent and variable consideration	*8*	**94**	(289)	**(1,005)**	1,586
Change in allowance for doubtful accounts		**(43)**	(54)	**(57)**	(43)
Inventory write-down (reversal of write-down)	*3*	**-**	(5)	**(42)**	25
Inventory step-up expense	*3*	**-**	358	**35**	1,059
		6,222	5,160	**14,345**	14,562
Net change in non-cash working capital	*13*	**(669)**	2,767	**1,165**	3,303
Payment of contingent consideration	*8*	**(92)**	(69)	**(182)**	(1,135)
CASH PROVIDED BY OPERATING ACTIVITIES		**5,461**	7,858	**15,328**	16,730
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(2)**	(9)	**(118)**	(71)
Acquisition of intangible assets		**(197)**	(40)	**(445)**	(40)
Disposal of fixed assets		**-**	-	**-**	142
Disposal of intangible assets		**-**	-	**488**	-
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(199)**	(49)	**(75)**	31
FINANCING ACTIVITIES					
Principal payment on debt	*6*	**(3,702)**	(3,694)	**(10,278)**	(18,765)
Cash payment of lease liabilities		**(56)**	(27)	**(169)**	(244)
CASH USED IN FINANCING ACTIVITIES		**(3,758)**	(3,721)	**(10,447)**	(19,009)
Effect of exchange rate changes on cash		**(359)**	(137)	**(203)**	337
Net change in cash during the period		**1,145**	3,951	**4,603**	(1,911)
Cash and cash equivalents, beginning of period		**27,265**	17,157	**23,807**	23,019
CASH AND CASH EQUIVALENTS, END OF PERIOD		**28,410**	21,108	**28,410**	21,108
Supplemental Cash Flow Information					
Interest received[(i)]		**8**	2	**21**	70
Interest paid[(i)]		**1,046**	1,231	**3,127**	3,834
Income taxes paid		**745**	102	**824**	102

[(i)] Amounts have been reflected as operating cash flows in the Consolidated Interim Statements of Cash Flows.

See accompanying Notes.

Unless noted otherwise, all amounts shown are in thousands of Canadian dollars, except per share amounts.

1. NATURE OF BUSINESS

Nuvo Pharmaceuticals® Inc. d/b/a Miravo Healthcare™ (Miravo or the Company) is a Canadian focused, healthcare company with global reach and a diversified portfolio of commercial products. The Company's products target several therapeutic areas, including pain, allergy, neurology and dermatology. The Company's strategy is to in-license and acquire growth-oriented, complementary products for Canadian and international markets. The Company's registered office and principal place of business is located at 6733 Mississauga Road, Suite 800, Mississauga, Ontario, Canada, L5N 6J5, its international operations are located in Dublin, Ireland and its manufacturing facility is located in Varennes, Québec, Canada. The Varennes facility operates in a Good Manufacturing Practices (GMP) environment respecting the U.S., Canada and E.U. GMP regulations and is regularly inspected by Health Canada and the U.S. Food and Drug Administration (FDA).

2. BASIS OF PREPARATION

Statement of Compliance

These Condensed Consolidated Interim Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The policies applied to these Condensed Consolidated Interim Financial Statements are based on IFRS, which have been applied consistently to all periods presented. These Condensed Consolidated Interim Financial Statements were issued and effective as at November 12, 2021, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

The preparation of financial statements in accordance with International Accounting Standards (IAS) 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these Condensed Consolidated Interim Financial Statements were the same as those that applied to the Company's annual Consolidated Financial Statements as at and for the year ended December 31, 2020, except as noted below (See "*Use of Estimates and Judgments*").

Basis of Measurement

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value. Items included in the financial statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Basis of Consolidation

These Condensed Consolidated Interim Financial Statements include the accounts of the Company and its subsidiaries as follows:

	% Ownership
Aralez Pharmaceuticals Canada Inc.	100
Nuvo Pharmaceuticals (Ireland) Designated Activity Company	100

All significant intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates and Judgments

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when these Condensed Consolidated Interim Financial Statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Determination of Share Appreciation Rights Liabilities

Share Appreciation Rights (SARs) are accounted for by the Company as cash-settled awards. SARs are issued to directors, officers or employees to provide incentive compensation based on the appreciation in value of the Company's common shares. Fair market value is based on the closing price of the Company's common share, determined based on Black-Scholes option pricing model. Under the SARs Plan, participants receive, upon vesting, a cash amount equal to the difference between the SARs' fair market value and the grant price value, also known as the intrinsic value. Until SARs vest, compensation expense is measured based on the fair value of the SARs at the end of each reporting period. The fair value of the liability is remeasured at the end of each reporting date and adjusted at the settlement date when the intrinsic value is realized. The SARs accrual is included in accounts payable and accrued liabilities (See Note 10, *Stock-based Compensation and Other Stock-based Payments*).

(ii) Determination of Deferred Share Units Liabilities

Deferred Share Units (DSUs) are accounted for by the Company as cash-settled awards. DSUs are issued to directors to provide incentive compensation based on the appreciation in the value of the Company's common shares. Fair market value is based on the market price of the Company's common share, determined based on a volume weighted average share price (VWAP) model. Under the DSU Plan, directors receive, after the effective date that the Director ceases to be a Director of the Company, a cash amount equal to the fair market value multiplied by the number of units held. Until the DSUs are settled, compensation expense is measured based on the fair value of the DSUs at the end of each reporting period. The fair value of the liability is remeasured at the end of each reporting date and adjusted at the settlement date when realized. The DSUs accrual is included in accounts payable and accrued liabilities (See Note 10, *Stock-based Compensation and Other Stock-based Payments*).

(iii) Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculations are based on discounted cash flow (DCF) models. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash-inflows and outflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles recognized by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4, *Intangible Assets* and Note 5, *Goodwill*.

(iv) Contingent Consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (See Note 8, *Other Obligations*).

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

Amendments to IFRS 9 - Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9 - *Financial Instruments* (IFRS 9). The amendments clarify the fees that an entity includes when

assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Amendments to IAS 8 - Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8 - *Definition of Accounting Estimates*, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Amendments to IAS 1 - Disclosure of Accounting Policies
In February 2021, the IASB issued amendments to IAS 1 - *Disclosure of Accounting Policies* (IAS 1) and IFRS Practice Statement 2, *Making Materiality Judgments* (Practice Statement 2), in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to Practice Statement 2 provides non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Company.

3. INVENTORIES

Inventories consist of the following as at:

	September 30, 2021	December 31, 2020
	$	$
Raw materials	**1,652**	2,514
Work in process	**108**	546
Finished goods, net of provision	**6,861**	6,430
	8,621	9,490

During the three and nine months ended September 30, 2021, inventories in the amount of $4.6 million and $14.9 million were recognized as cost of goods sold (COGS) [$5.5 million and $14.2 million for the three and nine months ended September 30, 2020]. During the three and nine months ended September 30, 2021, inventories in the amount of $nil and $18 were written down [$nil and $30 for the three and nine months ended September 30, 2020] and there were reversals of prior period write-downs of $nil and $59 [$5 and $5 for the three and nine months ended September 30, 2020].

COGS for the three and nine months ended September 30, 2021, included $nil and $35 of inventory step-up expense [$0.4 million and $1.1 million for the three and nine months ended September 30, 2020] for the sale of inventory that was acquired by the Company as part of the Aralez Transaction. In accordance with IFRS 3 - *Business Combinations*, inventory was initially recognized at fair value less reasonable selling costs.

4. INTANGIBLE ASSETS

Intangible assets consist of the following as at:

Cost	Patents $	Brand $	Licenses $	Software $	Total $
Balance, December 31, 2019	40,680	2,327	50,817	-	93,824
Additions	-	-	-	40	40
Foreign exchange movements	1,838	99	-	-	1,937
Balance, September 30, 2020	42,518	2,426	50,817	40	95,801
Accumulated amortization					
Balance, December 31, 2019	7,359	-	2,907	-	10,266
Amortization expense	4,058	-	2,161	-	6,219
Foreign exchange movements	385	-	-	-	385
Balance, September 30, 2020	11,802	-	5,068	-	16,870
Net book value as at September 30, 2020	30,716	2,426	45,749	40	78,931

Cost	Patents $	Brand $	Licenses $	Software $	Total $
Balance, December 31, 2020	38,423	2,125	50,817	193	91,558
Additions	-	-	-	445	445
Disposals[(i)]	-	-	(574)	-	(574)
Impairment	(1,230)	-	(634)	-	(1,864)
Foreign exchange movements	62	8	-	-	70
Balance, September 30, 2021	**37,255**	**2,133**	**49,609**	**638**	**89,635**
Accumulated amortization					
Balance, December 31, 2020	12,284	-	5,788	-	18,072
Amortization expense	3,512	-	2,143	-	5,655
Disposals	-	-	(86)	-	(86)
Impairment	-	-	(33)	-	(33)
Foreign exchange movements	(45)	-	-	-	(45)
Balance, September 30, 2021	**15,751**	**-**	**7,812**	**-**	**23,563**
Net book value as at September 30, 2021	**21,504**	**2,133**	**41,797**	**638**	**66,072**

(i) During the nine months ended September 30, 2021, the Company disposed of two mature products from its commercial segment for proceeds of $0.6 million.

The Company reviewed the carrying values of certain intangible assets as at September 30, 2021, due to changes in the commercial expectations for certain products.

In the three months ended September 30, 2021, the Company noted that despite the easing of many COVID-19 government restrictions within Canada and the uptake of people receiving the COVID-19 vaccination, prescribers had not yet resumed to seeing patients in person at pre-COVID-19 pandemic levels. As a result, the Company revised its commercial expectations for certain prescription products in its Commercial Business segment.

Furthermore, in the three months ended September 30, 2021, the Company revised its commercial expectations for its global Resultz® product, a component of its Licensing and Royalty Business segment, as commercial performance was not meeting the Company's expectations. The Company believes its change in future commercial expectations was triggered by the evolving COVID-19 pandemic. Despite the easing of government restrictions in certain countries and the global uptake of people receiving the COVID-19 vaccination, social distancing measures continue worldwide, directly impacting the future commercial expectations for the Resultz product.

In the three months ended September 30, 2021, the impairment loss of $1.8 million represented the write-down of certain intangible assets in the Commercial Business and Licensing and Royalty Business segments to the

recoverable amount as a result of a change in the Company's commercial expectations. This was recognized in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) as impairment. The recoverable amount as at September 30, 2021 was based on value-in-use and was determined at the level of the cash-generating unit (CGU).

The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The value-in-use calculations are considered forecasted cash flows of each CGU based on the current commercialization plans for these products. Cash from product sales and royalties, net of labour and infrastructure costs, were included in determining the CGUs recoverable value. The Company's approach for discounted cash flow projections included consideration of prior year actuals, current market conditions and planned commercial efforts per product.

In determining the discount rate applied to each CGU, management uses the Company's weighted average cost of capital as a starting point and applies adjustments to take into account specific tax rates, geographical risk and any additional risks specific to the CGU.

The terminal-growth rate in the range of -2% to -10% was used for discounted cash flow projections. An after-tax discount rate in the range of 13.83% to 23.83% [December 31, 2020 - 11.82% to 21.82%] was applied, which approximates the Company's current weighted average cost of capital.

Sensitivity Analysis
The Company's intangible asset impairment test is sensitive to changes in assumptions. An increase or decrease of 5 basis points to the discount rates used by the Company in the range of 17.89% to 25.02% for its intangible asset impairment test and assuming all other variables remain constant, would not have resulted in a material change to the value of the Company's intangible assets.

Impairment amounts of intangible assets as at September 30, 2021 were as follows:

	Intangibles
	$
Aralez Pharmaceuticals Canada Inc. cash-generating units	-
Resultz Canada cash-generating units	-
Resultz Rest of World cash-generating units	1,230
Remaining cash-generating units	601
Total	**1,831**

5. GOODWILL

Goodwill is recognized on the acquisition date when total consideration exceeds the net identifiable assets acquired. Goodwill consists of the following as at:

	September 30, 2021	December 31, 2020
Cost	**$**	$
Ex-U.S. Resultz acquisition	**1,187**	1,187
Aralez Transaction	**26,763**	26,763
Impairment	**(12,851)**	-
Foreign exchange movements, cumulative	**(468)**	(505)
Balance	**14,631**	27,445

Goodwill continuity for the period ended:

	2021 **$**	2020 $
Balance, January 1	**27,445**	27,580
Impairment	**(12,851)**	-
Foreign exchange movements	**37**	983
Balance, September 30	**14,631**	28,563

The Company reviewed the carrying values of the assets allocated to its Aralez Pharmaceuticals Canada Inc. (Aralez Canada) CGU for potential intangible and goodwill impairment as at September 30, 2021, as the Company had reduced the commercial expectations for certain products as a result of changes in patient and prescriber behaviours (See Note 4, *Intangible Assets*). The Company believes the change in commercial expectations was triggered by the evolving COVID-19 pandemic. The recoverable amount of the Aralez Canada CGU as at September 30, 2021 has been determined based on both a value-in-use and fair value less costs of disposal calculation using cash flow projections and financial budgets, as well as a multiple indicating the current fair value. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

In determining the discount rate applied to the Aralez Canada CGU, management uses the Company's weighted average cost of capital as a starting point and applies adjustments to take into account specific tax rates, geographical risk and any additional risks specific to the CGU. An after-tax discount rate of 23.43% (December 31, 2020 – 16.82%) was applied, along with a terminal-growth rate -3%. It was concluded that the carrying value exceeded the recoverable amount. As a result, impairment for this CGU was identified and recorded in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) in the amount of $12.0 million.

The Company reviewed the carrying value of the assets allocated to its Resultz Rest of World CGU for potential goodwill and intangible impairment as at September 30, 2021 as it had reduced the commercial expectations (See Note 4, *Intangible Assets*). The recoverable amount of the Resultz Rest of World CGU as at September 30, 2021 has been determined based on a value-in-use calculation using cash flow projections. An after-tax discount rate of 23.83% (December 31, 2020 – 16.82%) was applied along with a terminal-growth rate of -5%. It was concluded that the carrying value exceeded the recoverable amount. As a result, impairment for this CGU was identified and recorded in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) in the amount of $0.9 million.

In the three and nine months ended September 30, 2021, the impairment loss of $12.9 million represented the write-down of goodwill in the Aralez Canada CGU and Resultz Rest of World CGU. This was recognized in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) as impairment. The recoverable amount as at September 30, 2021 was based on value-in-use for the Resultz Rest of World CGU and fair value less costs of disposal for the Aralez Canada CGU and was determined at the level of the CGU.

Impairment amounts of goodwill allocated to each CGU as at September 30, 2021 was as follows:

	Goodwill **$**
Aralez Canada cash-generating units	11,979
Resultz Canada cash-generating units	-
Resultz Rest of World cash-generating units	872
Remaining cash-generating units	-
Total	**12,851**

Sensitivity analysis

The Company's goodwill impairment test is sensitive to changes in assumptions. An increase or decrease of 5 basis points to the discount rates used by the Company, assuming all other variables remain constant, for its goodwill impairment test would have resulted in an increase or decrease of $0.7 million to the recoverable amount of the Company's Aralez Canada CGUs and Resultz Rest of World.

6. LOANS AND BORROWINGS

The Company's loans are financed by Deerfield Management Company, L.P. (Deerfield). In addition to these freestanding instruments, there were two embedded derivatives requiring bifurcation: the conversion feature in the Convertible Loan (See Note 7, *Derivative Liabilities*) and the prepayment option in the Amortization Loan.

The Company's loans and borrowings were measured at amortized cost as follows:

	September 30, 2021 $	December 31, 2020 $
CURRENT		
Amortization Loan(i)	**12,067**	12,337
	12,067	12,337
NON-CURRENT		
Amortization Loan(i)	**31,229**	39,116
Convertible Loan – debt host(ii)	**54,589**	52,244
	85,818	91,360

(i) Amortization Loan

The Amortization Loan was issued on December 31, 2018 in the principal amount of $81.9 million (US$60 million). The carrying value reflects an allocation of transaction costs, which reduced the carrying value of the respective liability and are reflected in the calculation of interest expense under the effective interest rate method.

The change in the carrying value of this liability was as follows:

	2021 $	2020 $
As at January 1	**51,453**	68,464
Principal repayment	**(10,278)**	(14,237)
Interest accretion during the period	**2,219**	2,987
Change in fair value of long-term debt	**146**	(1,716)
Foreign currency movement	**(244)**	1,997
Balance, September 30	**43,296**	57,495

In the three and nine months ended September 30, 2021, the Company made principal loan repayments of $3.7 million (US$2.9 million) and $10.3 million (US$8.3 million) applied to the Amortization Loan [repayments of $3.7 million (US$2.8 million) and $14.2 million (US$10.5 million) applied to the Amortization Loan in the three and nine months ended September 30, 2020].

The interest on the Amortization Loan is accrued as well as paid on a quarterly basis. In the three and nine months ended September 30, 2021, the effective interest accrued on the Amortization Loan was $0.7 million (US$0.6 million) and $2.2 million (US$1.8 million) [the effective interest accrued on the Amortization Loan was $0.9 million (US$0.7 million) and $3.0 million (US$2.2 million) in the three and nine months ended September 30, 2020]. In the three and nine months ended September 30, 2021, the interest paid on the Amortization Loan was $0.4 million (US$0.4 million) and $1.4 million (US$1.2 million) [the interest paid on the Amortization Loan was $0.6 million (US$0.5 million) and $2.0 million (US$1.5 million) in the three and nine months ended September 30, 2020].

The carrying value of the debt includes assumptions regarding the estimated timing of payments. As a result of changes in the assumptions regarding the timing of the payments, losses of $110 (US$87) and $146 (US$116) were recorded in the three and nine months ended September 30, 2021 [gains of $81 (US$61) and $1.7 million (US$ 1.3 million) were recorded in the three and nine months ended September 30, 2020].

(ii) Convertible Loan

The Convertible Loan was issued on December 31, 2018 in the principal amount of $71.6 million (US$52.5 million). The fair value of the conversion feature as at September 30, 2021 in the amount of $11.5 million has been classified as a derivative financial liability, as described in Note 7, *Derivative Liabilities*. The carrying value reflects an

allocation of transaction costs, which reduces the carrying value of the respective liability and are reflected in the calculation of interest expense under the effective interest rate method.

The change in carrying value of this liability was as follows:

	2021 $	2020 $
As at January 1	**52,244**	50,420
Interest accretion during the period	**2,264**	2,214
Foreign currency movement	**81**	1,331
Balance, September 30	**54,589**	53,965

The interest on the Convertible Loan is accrued as well as paid on a quarterly basis. Early repayment is not permitted for the Convertible Loan. Any debenture not converted will be repaid on December 31, 2024. In the three and nine months ended September 30, 2021, the effective interest accrued on the Convertible Loan was $0.8 million (US$0.6 million) and $2.3 million (US$1.8 million) [effective interest accrued on the Convertible Loan was $0.8 million (US$0.6 million) and $2.3 million (US$1.7 million) in the three and nine months ended September 30, 2020]. In the three and nine months ended September 30, 2021, the interest paid on the Convertible Loan was $0.6 million (US$0.5 million) and $1.7 million (US$1.5 million) [the interest paid on the Convertible Loan was $0.6 million (US$0.5 million) and $1.8 million (US$1.5 million) in the three and nine months ended September 30, 2020].

7. DERIVATIVE LIABILITIES

The Company's derivative liabilities are measured at fair value through profit and loss and are summarized below:

	September 30, 2021 $	December 31, 2020 $
Conversion feature on Convertible Loan	**11,523**	5,664
Warrants	**16,497**	8,001
	28,020	13,665

During the three and nine months ended September 30, 2021, the Company recognized non-cash losses of $2.9 million and $14.4 million on the change in fair value of derivative liabilities [non-cash losses of $5.2 million and $11.1 million for the three and nine months ended September 30, 2020]. During the three and nine months ended September 30, 2021, the Company recognized a loss on foreign exchange of $0.2 million and a gain on foreign exchange of $0.1 million [a gain of $0.2 million and $41 for the three and nine months ended September 30, 2020].

Conversion feature
The conversion feature is embedded in the Convertible Loan described in Note 6, *Loans and Borrowings* allows the holder to convert the outstanding principal amount of the debentures into common shares of the Company at any time at a conversion price of US$2.70 per share, subject to a restriction that the holder shall not ultimately hold more than 4.985% of the total number of common shares of the Company at any one time.

Warrants
On December 31, 2018, the Company issued 25,555,556 Warrants with a total fair value of $19.1 million (US$14.0 million). Each Warrant is exercisable at the option of the holder for one common share of the Company at an exercise price of $3.53 per Warrant. The outstanding Warrants expire on December 31, 2024. Any exercise is subject to a restriction that the holder shall not ultimately hold more than 4.985% of the total number of common shares of the Company at any one time.

There are three methods of Warrant settlement, all at the option of the holder. The first method of settlement requires the holder to remit the exercise price of $3.53 per Warrant and the Company will issue a common share of the Company. The second method results in the $3.53 per Warrant strike price being applied as a payment against the outstanding principal balance of the Amortization Loan. The third method of exercise applies to those Warrants classified as Flexible Exercise Shares (FES). Warrants considered FES can be exercised without upfront remuneration to the Company. Instead, the Company issues fractional shares equal to the difference between the

current share price and the $3.53 exercise price of the Warrant. As at September 30, 2021, 11,342,994 of the 25,555,556 Warrants outstanding were classified as FES.

Inputs to fair value models
Key assumptions used in determining the fair values of the Company's derivative liabilities at initial recognition and period-end are summarized below as at:

Conversion Feature		
Issue date	**December 31, 2018**	December 31, 2018
Valuation date	**September 30, 2021**	December 31, 2020
Share price	**$1.44**	$0.91
Risk-free interest rate	**0.59%**	0.26%
Discount for lack of marketability	**16.00%**	10.00%
Dividend yield	**0%**	0%
Volatility factor	**111%**	91.5%
Expected life	**3.25 years**	4 years

Warrants		
Issue date	**December 31, 2018**	December 31, 2018
Valuation date	**September 30, 2021**	December 31, 2020
Share price	**$1.44**	$0.91
Risk-free interest rate	**0.72%**	0.32%
Discount for lack of marketability	**16.00%**	10.00%
Dividend yield	**0%**	0%
Volatility factor	**111%**	91.5%
Expected life	**3.25 years**	4 years

8. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	September 30, 2021	December 31, 2020
	$	$
Contingent and variable consideration related to the ex-U.S. acquisition of Resultz	**691**	2,180
Contingent and variable consideration related to Yosprala	**1,202**	1,074
Lease obligations	**1,452**	1,465
Less amounts due within one year[(i)]	**(1,472)**	(396)
Long-term balance	**1,873**	4,323

[(i)] As at September 30, 2021, the amounts due within one year were comprised of $1.3 million [December 31, 2020 - $0.2 million] of contingent and variable consideration and $0.2 million [December 31, 2020 - $0.2 million] of lease obligations.

The Company recognized $1.9 million in contingent and variable consideration as at September 30, 2021 [December 31, 2020 - $3.3 million], which represented the present value of the Company's probability-weighted estimate of the cash outflow related to the ex-U.S. Resultz acquisition and the profits earned from Yosprala, which was acquired as part of the Aralez Transaction.

In the three and nine months ended September 30, 2021, the Company made contingent consideration payments of $92 and $182.

Contingent and Variable Consideration
The change in the carrying value of this liability was as follows:

	2021 $	2020 $
As at January 1	**3,254**	2,814
Recognition of contingent consideration in relation to Yosprala	**-**	2,548
Remeasurement of contingent consideration in relation to the ex-U.S. acquisition of Resultz	**(1,404)**	(804)
Payments during the period in relation to Yosprala	**(182)**	(1,135)
Change in estimates for payments in relation to Yosprala	**339**	(496)
Interest accretion	**77**	51
Foreign exchange	**(191)**	170
Balance, September 30	**1,893**	3,148

9. CAPITAL STOCK

Authorized

- Unlimited first and second preferred shares, non-voting, non-participating, issuable in series, number, designation, rights, privileges, restrictions and conditions are determinable by the Company's Board of Directors.
- Unlimited common shares, voting, without par value.

10. STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Company has five stock-based compensation plans: the Share Option Plan, the Share Purchase Plan, the Share Bonus Plan, each a component of the Company's Share Incentive Plan, the SARs Plan and the DSU Plan. As at September 30, 2021, the number of common shares available for issuance under the Share Incentive Plan was 72,003.

Share Option Plan
Under the Share Option Plan, the Company may grant options to purchase common shares to officers, directors, employees or consultants of the Company or its affiliates. Options issued under the Share Option Plan are granted for a term not exceeding ten years from the date of grant. All options issued to-date have a life of ten years. In general, options have vested either immediately upon grant or over a period of one to four years or upon the achievement of certain performance-related measures or milestones. Under the provisions of the Share Option Plan, the exercise price of all stock options shall not be less than the closing price of the common shares on the last trading date immediately preceding the grant date of the option.

The following is a schedule of the options outstanding as at:

	Options 000s	Range of Exercise Price $	Weighted Average Exercise Price $
Balance, December 31, 2020	1,572	0.57 - 5.75	3.38
Granted	96	1.74	1.74
Expired	(32)	2.66 – 5.08	4.09
Balance, September 30, 2021	**1,636**	**0.57 – 5.75**	**3.27**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options were valued with a calculated forfeiture rate of 7% [December 31, 2020 - 7%] and the remaining model inputs for options granted during the nine months ended September 30, 2021 were as follows:

Options 000s	Grant Date	Share Price $	Exercise Price $	Risk-free Interest Rate %	Expected Life (years)	Volatility Factor %	Fair Values $
96	March 11, 2021	1.74	1.74	1.09	5 - 7	72 - 73	1.06 - 1.17

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

	Outstanding			Exercisable	
Exercise Price Range $	Options 000s	Remaining Contractual Life years	Weighted Average Exercise Price $	Vested Options 000s	Weighted Average Exercise Price $
0.57 - 1.53	350	7.61	0.72	159	0.88
1.54 - 2.65	498	6.40	2.28	312	2.45
2.66 - 5.08	309	4.53	4.09	276	4.17
5.09 - 5.75	479	5.10	5.63	478	5.63
	1,636	**5.93**	**3.27**	**1,225**	**3.88**

Share Purchase Plan

During the three and nine months ended September 30, 2021 and September 30, 2020, there were no issuances of shares under the Share Purchase Plan.

Share Appreciation Rights

On March 5, 2021, the Company's directors approved a SARs Plan for directors, officers and employees of the Company and its affiliates to provide incentive compensation based on the appreciation in value of the Company's common shares. Pursuant to the terms of the SARs Plan, participants are eligible to receive a grant of SARs, which are priced at no less than the value of the closing price of the Company's common shares on the Toronto Stock Exchange (TSX) on the day preceding the date of the grant (Grant Price). Upon vesting, a cash amount equal to the difference between the SARs fair market value on the vesting date and the Grant Price, also known as the intrinsic value, is paid to the participant. Fair market value on the vesting date is the closing price of the Company's common share on the TSX on the day preceding the vesting date. The compensation expense is measured quarterly based on the fair value of the SARs, amortized over the vesting period, using the Black-Scholes option pricing model. The fair value of the liability is remeasured at the end of each reporting period.

The fair value of the tranche issued and outstanding in the period was measured as at the grant date, determined based on the Black-Scholes option pricing model, using the following inputs:

SARs (000s)	Grant Date	Exercise Price (Grant Price) $	Risk-free Interest Rate %	Expected Life (years)	Volatility Factor %	Fair Values $
284	March 11, 2021	1.74	0.23	3	90.52	0.99

The following table summarizes the outstanding SARs and related accrual as at September 30, 2021:

	Number of SARs 000s	Fair Values $	Accrual $
Balance, December 31, 2020	-	-	-
Granted	284	0.99	-
Remeasurement	-	(0.25)	39
Balance, September 30, 2021	**284**	**0.74**	**39**

For the three and nine months ended September 30, 2021, a $20 and $39 expense was recorded in general and administrative (G&A) expenses as compensation expense related to SARs. For the current quarter, the expense consisted of a decrease of $3 in the fair value of the issued SARs, combined with a $23 increase in the aggregate SARs accrual to the market value of the underlying shares. The SARs accrual was included in accounts payable and accrued liabilities.

Deferred Share Unit Plan

Under the DSU Plan, non-employee directors can be allotted and elect to receive a portion of their annual retainers and other Board-related compensation in the form of DSUs. One DSU has a cash value equal to the market price of one of the Company's common shares and the number of DSUs issued to a director's DSU account for any

payment is determined using the five-day VWAP of the Company's common shares immediately preceding the payment date.

Upon issuance, the fair value of the DSUs is recorded as compensation expense and the DSU accrual is recognized. At all subsequent reporting dates, the DSU accrual is adjusted to the market value of the underlying shares and the adjustment is recorded as compensation cost or recovery. Within a specified time after retirement or termination, non-employee directors receive a cash payment equal to the market value of the DSUs.

The following table summarizes the outstanding DSUs and related accrual as at:

	Number of DSUs	**Market Values**	**Accrual**
	000s	**$/unit**	**$**
Balance, January 1	-	-	-
Issued for directors' fees	61	1.53	94
Adjustment to market value	-	(0.09)	(6)
Balance, September 30, 2021	**61**	**1.44**	**88**

For the three and nine months ended September 30, 2021, a $7 and $88 expense was recorded in G&A expenses as compensation expense related to DSUs. For the current quarter, the expense consisted of a $7 increase in the aggregate DSU accrual to the market value of the underlying shares. The DSU accrual was included in accounts payable and accrued liabilities.

Summary of Stock-based Compensation

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Stock option compensation expense under the Share Option Plan	**41**	50	**184**	208
SARs compensation expense	**23**	-	**39**	-
DSUs compensation expense	**7**	-	**88**	-
Stock-based compensation expense	**71**	50	**311**	208
Recorded in the Consolidated Interim Statements of Loss and Comprehensive Loss as follows:				
Cost of goods sold	**5**	6	**21**	24
Sales and marketing expenses	**2**	-	**8**	-
General and administrative expenses	**64**	44	**282**	184
	71	50	**311**	208

11. NET INTEREST EXPENSE

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Interest expense on financial liabilities measured at amortized cost[(i)]	**2,556**	2,920	**7,714**	9,097
Interest income on contract assets	**(34)**	(5)	**(115)**	(25)
Interest income on cash and cash equivalents	**(10)**	(11)	**(22)**	(53)
Net interest expense	**2,512**	2,904	**7,577**	9,019

(i) The Deerfield Financing requires the Company to make quarterly interest payments on outstanding loans. The interest rate for the Amortization Loan and the Convertible Loan is a fixed 3.5%. During the three months ended September 30, 2021, the Company made cash payments of $1.0 million (US$0.8 million) to Deerfield for interest due. During the nine months ended September 30, 2021, the Company made cash payments of $3.1 million (US$2.4 million) to Deerfield for interest due.

12. NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is computed as follows:

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Basic income (loss) per share:				
Net income (loss)	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Average number of shares outstanding during the period	**11,388**	11,388	**11,388**	11,388
Basic income (loss) per share	**(1.56)**	(0.25)	**(2.34)**	(0.57)
Net income (loss)	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Dilutive effect of:				
Warrants	**-**	-	**-**	-
Convertible Loan	**-**	-	**-**	-
Net income (loss), assuming dilution	**(17,770)**	(2,832)	**(26,612)**	(6,528)
Average number of shares outstanding during the period	**11,388**	11,388	**11,388**	11,388
Dilutive effect of:				
Stock options	**-**	-	**-**	-
Warrants	**-**	-	**-**	-
Convertible Loan	**-**	-	**-**	-
Weighted average common shares outstanding, assuming dilution	**11,388**	11,388	**11,388**	11,388
Diluted income (loss) per share	**(1.56)**	(0.25)	**(2.34)**	(0.57)

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments were exercised or converted as at:

	September 30, 2021		September 30, 2020	
	Weighted Average Exercise Price	**Units Outstanding**	Weighted Average Exercise Price	Units Outstanding
	$	**000s**	$	000s
Common shares issued and outstanding	**n/a**	**11,388**	n/a	11,388
Stock options outstanding (Note 10)	**3.27**	**1,636**	3.36	1,595
Warrants (Note 7)	**3.53**	**25,556**	3.53	25,556
Convertible Loan (Note 6)	**US$2.70**	**19,444**	US$2.70	19,444
		58,024		57,983

13. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of:

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Accounts receivable	**389**	2,356	**(881)**	4,937
Inventories	**139**	(145)	**808**	(1,763)
Contract assets	**119**	60	**261**	2,340
Other current assets	**234**	436	**690**	(775)
Accounts payable and accrued liabilities	**(859)**	179	**897**	(2,623)
Current income taxes payable	**(691)**	(119)	**(610)**	1,187
Net change in non-cash working capital	**(669)**	2,767	**1,165**	3,303

14. COMMITMENTS AND CONTINGENCIES

The Company has minimum future payments under variable lease payment obligations, purchase commitments, minimum royalties and anticipated milestones for the 12 months ending September 30 as follows:

	$
2021	5,806
2022	4,607
2023	4,392
2024	2,730
2025	465
2026 and thereafter	1,215
	19,215

For the three and nine months ended September 30, 2021, payments for lease obligations totalled $56 and $169 million [$27 and $0.2 million for the three and nine months ended September 30, 2020].

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments at Amortized Cost

For the three and nine months ended September 30, 2021, the Company recognized $34 and $115 in interest income from financial assets held at amortized cost [$5 and $25 for the three and nine months ended September 30, 2020].

For the three and nine months ended September 30, 2021, the Company recognized $2.6 million and $7.7 million in interest expense from financial liabilities held at amortized cost [$2.9 million and $9.1 million for the three and nine months ended September 30, 2020].

Credit Risk

The Company, in the normal course of business, is exposed to credit risk from its global customers, most of whom are in the pharmaceutical industry. The accounts receivable and contract assets are subject to normal industry risks in each geographic region in which the Company operates. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement.

As at September 30, 2021, the Company's largest customer represented 25% [December 31, 2020 - 30%] of accounts receivable. Pursuant to their collective terms, accounts receivable, net of allowance, were aged as follows:

	September 30, 2021	December 31, 2020
	$	$
Current	**8,215**	7,018
0 - 30 days past due	**-**	463
31 - 60 days past due	**132**	2
Over 60 days past due[(i)]	**110**	5
	8,457	7,488

(i) See "*loss allowance provision*" below.

The loss allowance provision for all segments as at September 30, 2021 was determined using reference to expected loss rates and management judgment as follows:

		Current	**Less than 61 days past due**	**61 to 120 days past due**	**121 to 180 days past due**	**More than 181 days past due**	**Total**
Expected loss rate	**%**	0%	0%	25%	50%	100%	
Gross carrying amount	**$**	8,219	136	135	-	-	**8,490**
Loss allowance provision[(i)]	**$**	(4)	(4)	(25)	-	-	**(33)**

(i) Loss allowance provision balance consists of credit memos and purchase deductions on invoices that take time to be processed. As a result, loss provision was 0%.

During the three months ended September 30, 2021, the Company recorded $43 of bad debt reversal in total comprehensive income (loss) [$nil of bad debt reversal for the three months ended September 30, 2020]. During the nine months ended September 30, 2021, the Company recorded $57 of bad debt reversal in total comprehensive income (loss) [$nil of bad debt reversal for the nine months ended September 30, 2020]. For the three and nine months ended September 30, 2021, the impairment of accounts receivable was assessed based on the incurred loss model in compliance with IFRS 9. Individual receivables that were known to be uncollectible were written off by reducing the carrying amount directly.

For contract assets within the scope of IFRS 15 - *Revenue from Contracts with Customers*, the Company recognizes an asset to the extent contractual minimums established in certain customer licensing agreements are deemed fixed consideration. After analysis of historical default rates and forward-looking estimates, the Company's contract assets were considered to have low credit risk, and as a result, the Company has not recognized a loss allowance as at September 30, 2021 [December 31, 2020 - $nil].

The Company's cash and cash equivalents subject the Company to a concentration of credit risk. As at September 30, 2021, the Company had $28.4 million deposited with three financial institutions in various bank accounts. These financial institutions are major banks located in Canada, the U.S. and Ireland, which the Company believes lessens the degree of credit risk. The Company has not recognized a loss allowance as at September 30, 2021 [December 31, 2020 - $nil].

The Company has not noted a significant change in the credit risk of the financial instruments related to the COVID-19 pandemic.

Financial Instruments

IFRS 7 - *Financial Instruments, Disclosures* requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. All assets and liabilities for which fair value is measured or disclosed in these Condensed Consolidated Interim Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

- Level 2 - Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2021.

As at September 30, 2021, the Company's financial assets and liabilities consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, contingent and variable consideration, long-term debt and derivative liabilities. 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.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities (excluding SARs and DSUs) are measured at amortized cost and their fair values approximate carrying values. Cash and cash equivalents are Level 1, while the other short-term financial instruments are Level 3.

Level 1 liabilities include obligations of the Company for the DSU Plan described in Note 10, *Stock-based Compensation and Other Stock-based Payments*. The fair values of the DSUs issued and outstanding are revalued at each reporting period using the period-end share price. The Company accrued $88 for DSUs as at September 30, 2021 [September 30, 2020 - $nil].

Level 2 liabilities include obligations of the Company for the SARs Plan described in Note 10, *Stock-based Compensation and Other Stock-based Payments*. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model. The Company accrued $39 for SARs as at September 30, 2021 [September 30, 2020 - $nil].

The fair values of the Loans are Level 3 measurements determined using a discounted cash flow model that considers the present value of the contractual cash flows using a risk-adjusted discount rate. The Company recognized $97.9 million for the Amortization Loan and host liability of the Convertible Loan as at September 30, 2021 [December 31, 2020 - $103.7 million].

The conversion feature that accompanies the Company's Convertible Loan is considered a Level 3 liability. The value is determined as the difference between the fair value of the hybrid Convertible Loan contract, using an income approach with a binomial-lattice model and the fair value of the host liability contract, using a discounted cash flow model, as described in Note 7, *Derivative Liabilities*. The Company recognized $11.5 million for the conversion feature as at September 30, 2021 [December 31, 2020 - $5.7 million].

The fair values of the prepayment option that allows the Company to make prepayments against the Amortization Loan at any time is considered a Level 3 financial instrument. The fair value of the prepayment option bifurcated from the Amortization Loan was a derivative asset with a nominal value as at September 30, 2021 and is presented net of the non-current portion of the long-term debt (See Note 6, *Loans and Borrowings*). The fair value of this option was determined using a binomial-lattice model.

The fair value of the Company's Warrants is revalued at each reporting period using the Black-Scholes option pricing model. As at September 30, 2021, the Company recognized a $16.5 million derivative liability related to outstanding Warrants [December 31, 2020 - $8.0 million]. These Warrants are Level 3.

Level 3 liabilities include the fair value of contingent and variable consideration related to the acquisition of the ex-U.S. rights to Resultz and Yosprala.

Risk Factors

The following is a discussion of liquidity risk, interest rate risk, currency risk and market risk and related mitigation strategies that have been identified. Credit risk has been discussed in the Company's assessment of impairment under IFRS 9. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations as they become due.

As at September 30, 2021, the Company's financial liabilities had undiscounted contractual maturities (including interest payments where applicable) as summarized below:

		Current	Non-current		
	Total	**Within 12 Months**	**1 to 2 Years**	**2 to 5 Years**	**> 5 Years**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**9,247**	9,247	-	-	-
Other obligations	**4,257**	1,282	1,399	488	1,088
Senior secured Amortization Loan	**52,198**	14,266	27,178	10,754	-
Senior secured Convertible Loan	**74,617**	2,374	4,754	67,489	-
	140,319	**27,169**	**33,331**	**78,731**	**1,088**

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flows to satisfy its debt service obligations or to refinance its obligations on commercially reasonable terms could have a materially adverse impact on the Company's business, financial condition or operating results.

Due to the impact of the COVID-19 pandemic on the economic environment, the Company has reviewed the working capital requirements as a result of managing the supply chain and changes in demand. The Company anticipates that its current cash of $28.4 million as at September 30, 2021, together with the cash flows generated from operations, will be sufficient to execute its current business plan for the next 12 months and to meet its current debt obligations.

Interest Rate Risk
The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company's loans and borrowings and lease obligations are at fixed interest rates.

The fair value of the Company's prepayment option on the Amortization Loan and the Company's derivative liabilities are impacted by market rate changes.

Currency Risk
The Company operates globally, which gives rise to a risk that income and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar and euro, but also transacts in other foreign currencies. The Company currently does not use financial instruments to hedge these risks. The significant balances in foreign currencies were as follows:

	U.S. Dollar		Euro	
	Sept. 30, 2021	Dec. 31, 2020	**Sept. 30, 2021**	Dec. 31, 2020
	$	$	**€**	€
Cash and cash equivalents	**4,597**	7,214	**1,600**	1,444
Accounts receivable	**3,096**	3,145	**386**	133
Contract assets	**1,780**	1,964	**-**	-
Loans and borrowings	**(76,847)**	(81,468)	**-**	-
Derivative liabilities	**(9,088)**	(4,452)	**-**	-
Accounts payable and accrued liabilities	**(601)**	(803)	**(169)**	(281)
Other obligations	**(1,368)**	(1,882)	**(102)**	(552)
	(78,431)	(76,282)	**1,715**	744

Based on the aforementioned net exposure as at September 30, 2021, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $10.0 million on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the Euro would have an effect of $254 on total comprehensive income (loss).

In terms of the U.S. dollar, the Company has five significant exposures: its U.S. dollar-denominated cash held in its Canadian operations, its U.S. dollar-denominated loans and borrowings and derivative liabilities held in its

Canadian and European operations, its net investment and net cash flows in its European operations, the cost of purchasing raw materials either priced in U.S. dollars or sourced from U.S. suppliers and payments made to the Company under its U.S. dollar-denominated licensing arrangements.

The Company does not currently hedge its U.S. dollar cash flows. The Company funds its U.S. dollar-denominated interest expense and loan obligations using the Company's U.S. dollar-denominated cash and cash equivalents and payments received under the terms of the licensing and supply agreements. Periodically, the Company reviews its projected future U.S. dollar cash flows and if the U.S. dollars held are insufficient, the Company may convert a portion of its other currencies into U.S. dollars. If the amount of U.S. dollars held is excessive, they may be converted into Canadian dollars or other currencies, as needed for the Company's other operations.

Market Risk
The Company's derivative liabilities, the Warrants and the conversion feature that accompanies the Company's Convertible Loan, are impacted by a variety of valuation inputs (See Note 7, *Derivative Liabilities*), including changes in the Company's share price. As at September 30, 2021, a $1.00 increase in the Company's share price would increase the value of the Warrants by $16.3 million and an increase to the conversion feature of $11.6 million, with a corresponding loss of $27.9 million recognized in the change in fair value of derivative liabilities. As at September 30, 2021, a further $1.00 increase in the Company's share price for a total adjustment of $2.00 would further increase the value of the Warrants by $17.6 million and increase the value of the conversion feature by $12.6 million, with a corresponding additional loss of $30.2 million recognized in the change in fair value of derivative liabilities.

The Company has not noted a significant change in the market risk due to changes to the Company's share price as a result of the impact of the COVID-19 pandemic on the economic environment.

16. REVENUE

In the following table, revenue is disaggregated by primary geographic market, major categories of revenue and timing of revenue recognition as follows:

	Three Months ended September 30							
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$	**$**	$
	United States		International		Canada		Total	
Primary categories of revenue								
Product sales	**1,400**	3,904	**981**	47	**11,232**	9,646	**13,613**	13,597
License revenue	**333**	922	**2,948**	2,046	**45**	29	**3,326**	2,997
Contract revenue	**-**	-	**50**	7	**-**	-	**50**	7
	1,733	4,826	**3,979**	2,100	**11,277**	9,675	**16,989**	16,601
Timing of revenue recognition								
Transferred over time	**-**	-	**-**	-	**-**	-	**-**	-
Transferred at a point in time	**1,733**	4,826	**3,979**	2,100	**11,277**	9,675	**16,989**	16,601
	1,733	4,826	**3,979**	2,100	**11,277**	9,675	**16,989**	16,601

	Nine Months ended September 30							
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$	**$**	$
	United States		International		Canada		Total	
Primary categories of revenue								
Product sales	**6,510**	8,556	**2,288**	1,284	**33,443**	29,485	**42,241**	39,325
License revenue	**1,335**	4,792	**7,431**	12,240	**118**	113	**8,884**	17,145
Contract revenue	**-**	-	**68**	22	**5**	-	**73**	22
	7,845	13,348	**9,787**	13,546	**33,566**	29,598	**51,198**	56,942
Timing of revenue recognition								
Transferred over time	**-**	-	**-**	-	**-**	-	**-**	-
Transferred at a point in time	**7,845**	13,348	**9,787**	13,546	**33,566**	29,598	**51,198**	56,492
	7,845	13,348	**9,787**	13,546	**33,566**	29,598	**51,198**	56,492

Significant Customers
For the three months ended September 30, 2021, the Company's four largest customers generating product sales represented 82% [September 30, 2020 - 94%] of total product sales and the Company's largest customer represented 36% [September 30, 2020 - 28%] of total product sales.

17. SEGMENT REPORTING

Operating Segments
The Company has three operating segments: Commercial Business, Production and Service Business and Licensing and Royalty Business.

The Commercial Business segment is comprised of products commercialized by the Company in Canada. This includes products with dedicated promotional efforts - Blexten®, Cambia®, Suvexx® and NeoVisc®, as well as a number of mature products.

The Production and Service Business segment includes revenue from the sale of products manufactured by the Company from its manufacturing facility in Varennes, Québec or contracted by Miravo Ireland from its international headquarters in Dublin, Ireland, as well as service revenue for testing, development and related quality assurance and quality control services provided by the Company. Key revenue streams in this segment include product sales of Pennsaid® 2%, Pennsaid, Resultz and the bulk drug product for the Heated Lidocaine/Tetracaine (HLT) Patch.

The Licensing and Royalty Business segment includes the revenue generated by the licensing of intellectual property and ongoing royalties from exclusive licensing agreements with global partners. Key revenue streams in this segment include royalties from the Company's ex-U.S. and U.S. Vimovo, Yosprala, Resultz, Suvexx/Treximet and HLT Patch license agreements.

The Corporate and Other total includes overhead and financing costs incurred by the Company to support its public company infrastructure and the three operating segments.

	Commercial Business	**Production and Service Business**	**Licensing and Royalty Business**	**Corporate and Other**	**Total**
Three months ended September 30, 2021	**$**	**$**	**$**	**$**	**$**
Total revenue	**11,232**	**2,431**	**3,326**	**-**	**16,989**
Cost of goods sold	**3,399**	**1,626**	**-**	**-**	**5,025**
Gross profit	**7,833**	**805**	**3,326**	**-**	**11,964**
Sales and marketing expenses	**2,405**	**-**	**-**	**-**	**2,405**
General and administrative expenses	**-**	**-**	**-**	**2,880**	**2,880**
Interest expense	**-**	**-**	**(34)**	**2,546**	**2,512**
Amortization of intangibles	**-**	**-**	**-**	**1,872**	**1,872**
Impairment (Note 4 and Note 5)	**12,581**	**-**	**2,101**	**-**	**14,682**
Other expenses	**-**	**-**	**-**	**4,572**	**4,572**
Income tax expense	**-**	**-**	**-**	**811**	**811**
Segment net income (loss)	**(7,153)**	**805**	**1,259**	**(12,681)**	**(17,770)**

	Commercial Business	**Production and Service Business**	**Licensing and Royalty Business**	**Corporate and Other**	**Total**
Three months ended September 30, 2020	$	$	$	$	$
Total revenue	9,410	4,194	2,997	-	16,601
Cost of goods sold	4,260	2,165	-	-	6,425
Gross profit	5,150	2,029	2,997	-	10,176
Sales and marketing expenses	1,643	-	-	-	1,643
General and administrative expenses	-	-	-	2,684	2,684
Interest expense	-	-	-	2,904	2,904
Amortization of intangibles	-	-	-	2,010	2,010
Other expenses	-	-	-	3,774	3,774
Income tax recovery	-	-	-	(7)	(7)
Segment net income (loss)	3,507	2,029	2,997	(11,365)	(2,832)

Nine months ended September 30, 2021	Commercial Business $	Production and Service Business $	Licensing and Royalty Business $	Corporate and Other $	Total $
Total revenue	**33,443**	**8,871**	**8,884**	**-**	**51,198**
Cost of goods sold	**10,416**	**5,686**	**-**	**-**	**16,102**
Gross profit	**23,027**	**3,185**	**8,884**	**-**	**35,096**
Sales and marketing expenses	**7,989**	**-**	**-**	**-**	**7,989**
General and administrative expenses	**-**	**-**	**-**	**9,533**	**9,533**
Interest expense	**-**	**-**	**(115)**	**7,692**	**7,577**
Amortization of intangibles	**-**	**-**	**-**	**5,655**	**5,655**
Impairment (Note 4 and Note 5)	**12,581**	**-**	**2,101**	**-**	**14,682**
Other expenses	**-**	**-**	**-**	**13,888**	**13,888**
Income tax expense	**-**	**-**	**-**	**2,384**	**2,384**
Segment net income (loss)	**2,457**	**3,185**	**6,898**	**(39,152)**	**(26,612)**

Nine months ended September 30, 2020	Commercial Business $	Production and Service Business $	Licensing and Royalty Business $	Corporate and Other $	Total $
Total revenue	29,246	10,100	17,146	-	56,492
Cost of goods sold	11,542	5,890	-	-	17,432
Gross profit	17,704	4,210	17,146	-	39,060
Sales and marketing expenses	6,576	-	-	-	6,576
General and administrative expenses	-	-	-	9,432	9,432
Interest expense	-	-	-	9,019	9,019
Amortization of intangibles	-	-	-	6,219	6,219
Other expenses	-	-	-	12,755	12,755
Income tax expense	-	-	-	1,587	1,587
Segment net income (loss)	11,128	4,210	17,146	(39,012)	(6,528)

18. GOVERNMENT GRANTS

During the three months ended September 30, 2021, the Company recorded $nil in government assistance resulting from the CEWS [$1.1 million in the three months ended September 30, 2020]. The funding has been recorded as a reduction of the related salary expenditures with $nil recorded in sales and marketing expenses [$0.3 million in the three months ended September 30, 2020], $nil recorded in G&A expenses [$0.4 million in the three months ended September 30, 2020] and $nil recorded in COGS [$0.4 million in the three months ended September 30, 2020].

During the nine months ended September 30, 2021, the Company recorded $178 in government assistance resulting from the CEWS [$1.1 million in the nine months ended September 30, 2020]. The funding has been recorded as a reduction of the related salary expenditures with $58 recorded in sales and marketing expenses [$0.3 million in the nine months ended September 30, 2020], $71 recorded in G&A expenses [$0.4 million in the nine months ended September 30, 2020] and $49 recorded in COGS [$0.4 million in the nine months ended September 30, 2020]. There are no unfulfilled conditions or other contingencies attaching to the current CEWS.

19. INCOME TAXES

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Current income tax expense	**132**	(7)	**324**	1,587
Deferred income tax expense resulting from temporary and permanent differences	**679**	-	**2,060**	-
Income tax expense	**811**	(7)	**2,384**	1,587

Current income tax expense was $0.1 million and $0.3 million for the three and nine months ended September 30, 2021.

During the three and nine months ended September 30, 2021, the Company recognized deferred tax expense of $0.7 million and $2.1 million due to the utilization of loss carry forwards that were previously recognized.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year, adjusted for large or unusual items. In the three and nine months ended September 30, 2021, the impairment loss on non-deductible goodwill in Aralez Canada (See Note 5, *Goodwill*) does not affect the amounts of deferred income taxes recognized, as the difference will not reverse over time.