MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

The following is a discussion and analysis of the operating results and financial position of Cipher Pharmaceuticals Inc. and its subsidiaries ["Cipher" or "the Company"] as at and for the three and six months ended June 30, 2022. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements of Cipher for the three and six months ended June 30, 2022 and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. Additional information about the Company, including the Audited Annual Financial Statements and Annual Information Form for the year ended December 31, 2021, is available on SEDAR at www.sedar.com.

The discussion and analysis within this Management Discussion and Analysis ["MD&A"] are as at August 11, 2022. All dollar figures are stated in thousands of U.S. dollars unless otherwise indicated.

Caution Regarding Forward-Looking Statements

This document includes forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to our objectives and goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", "hope" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the extent and impact of the coronavirus (COVID-19) outbreak on our business including any impact on our contract manufacturers and other third party service providers, our ability to enter into development, manufacturing and marketing and distribution agreements with other pharmaceutical companies and keep such agreements in effect; our dependency on a limited number of products; our dependency on protection from patents that will expire; integration difficulties and other risks if we acquire or in-license technologies or product candidates; reliance on third parties for the marketing of certain products; the product approval process is highly unpredictable; the timing of completion of clinical trials, regulatory submissions and regulatory approvals; reliance on third parties to manufacture our products and events outside of our control that could adversely impact the ability of our manufacturing partners to supply products to meet our demands; we may be subject to future product liability claims; unexpected product safety or efficacy concerns may arise; we generate license revenue from a limited number of distribution and supply agreements; the pharmaceutical industry is highly competitive; requirements for additional capital to fund future operations; products in Canada may be subject to pricing regulation; dependence on key managerial personnel and external collaborators; no assurance that we will receive regulatory approvals in the U.S., Canada or any other jurisdictions and current uncertainty surrounding health care regulation in the U.S.; certain of our products are subject to regulation as controlled substances; limitations on reimbursement in the healthcare industry; limited reimbursement for products by government authorities and third-party payor policies; products may not be included on lists of drugs approved for use in hospitals; hospital customers may make late payments or not make any payments; various laws pertaining to health care fraud and abuse; reliance on the success of strategic investments and partnerships; the publication of negative results of clinical trials; unpredictable development goals and projected time frames; rising insurance costs; ability to enforce covenants not to compete; risks associated with the industry in which we operate; we may be unsuccessful in evaluating material risks involved in completed and future acquisitions; we may be unable to identify, acquire or integrate acquisition targets successfully; legacy risks from operations conducted in the U.S.; compliance with privacy and security regulation; our policies regarding returns, allowances and chargebacks may reduce revenues; certain current and future regulations could restrict our activities; additional regulatory burden and controls over financial reporting; reliance on third parties to perform certain services; general commercial litigation, class actions, other litigation claims and regulatory actions; the difficulty for shareholders to realize in the United States upon judgments of U.S. courts predicated upon civil liability of the Company and its directors and officers who are not residents of the United States; the potential violation of

intellectual property rights of third parties; our efforts to obtain, protect or enforce our patents and other intellectual property rights related to our products; changes in U.S., Canadian or foreign patent laws; litigation in the pharmaceutical industry concerning the manufacture and supply of novel and generic versions of existing drugs; inability to protect our trademarks from infringement; shareholders may be further diluted if we issue securities to raise capital; volatility of our share price; the fact that we have a significant shareholder; we do not currently intend to pay dividends; our operating results may fluctuate significantly; and our debt obligations will have priority over the common shares of the Company in the event of a liquidation, dissolution or winding up.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When reviewing our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found in the "Risk Factors" section of this MD&A and the Annual Information Form for the year ended December 31, 2021, and elsewhere in our filings with Canadian securities regulators. Except as required by Canadian securities law, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

Market Industry Data

The market and industry data contained in this MD&A is based upon information from independent industry and other publications and our knowledge of, and experience in, the industry in which the Company operates. Market and industry data are subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. Cipher has not independently verified any of the data from third party sources referred to in this MD&A or ascertained the underlying assumptions relied upon by such sources**.**

Overview

Cipher [TSX: CPH] is a specialty pharmaceutical company with a diversified portfolio of commercial and early to late-stage products. Cipher acquires products that fulfill unmet medical needs, manages the required clinical development and regulatory approval process, and currently markets these products directly in Canada or indirectly through partners in the U.S., Canada and Latin America.

Corporate Strategy

Cipher's corporate strategy is to build a portfolio of prescription products across a broad range of therapeutic areas that meet an unmet medical need. The focus of the Company's strategy is to:

- strategically market and distribute its Canadian commercial assets directly or indirectly, by way of partnerships;
- out-license products in markets where Cipher does not have a commercial presence;
- selectively invest in drug development programs where we see a favourable risk/return profile;
- Advancement of our key development programs including: refinements to the MOB-015 program for nail fungus with Moberg with a possible expansion of territories; completion of proof-of-concept studies for our tattoo removal program; negotiation of development agreements for two to three dermatology products;
- conserve capital and maximize cash flow and
- distribute products through established sales organizations using a royalty-based model.

The Company is actively assessing and sourcing opportunities that would build on the strengths of the organization, including strategic commercial deployment in Canada. The execution of any transaction is contingent on the Company being able to negotiate acceptable terms and securing the necessary financing.

Significant Transactions and Developments

2022

In May 2022, the Company's partner, Moberg Pharma AB, ("Moberg") began patient enrollment for the North American Phase 3 study for MOB-015 to treat nail fungus. The purpose of the study is to facilitate market approval by the U.S. Food and Drug Administration ("FDA"). Cipher holds the exclusive Canadian rights to MOB-015. In Canada, according to IQVIA, the total prescription market for Onychomycosis was greater than $75 million CDN at December 31, 2021, with a single product having over 90% market share.

In June 2022, the Company's partner, Canfite Biopharma, ("Canfite") announced positive top-line results from its phase III COMFORT study of Piclidenoson in the treatment of moderate to severe psoriasis. Based on the safety and efficacy data revealed in this trial, Canfite plans to approach the U.S. FDA and the European EMA with a protocol for a pivotal Phase III study for drug approval and registration.

On March 10, 2022, the Company announced that it had entered into a second amended and restated distribution and supply agreement with Sun Pharmaceutical Industries, Inc. ["Sun"]. Under the terms of the amendment, Cipher and Sun have agreed to extend Sun's exclusive right to market, sell and distribute the isotretinoin product portfolio, Absorica and Absorica AG in the United States through December 31, 2026 and Absorica LD through December 31, 2024.

Under the terms of the amendment, Cipher will continue to earn a royalty on U.S. net sales from Sun's isotretinoin product portfolio and will continue to be responsible for manufacturing the supplied product. The amendment extends the relationship from November 30, 2022 until December 31, 2026.

2021

TRULANCE ARBITRATION

On January 13, 2020, the Company received a notice of termination from Bausch Health for alleged breach of contract in respect of its licensing agreement for Trulance.

In January 2021, Cipher received the results of an arbitration hearing, in which Cipher was found to be in breach of the agreement and therefore the licensing agreement was terminated. As a result, the Company recorded an impairment charge of $5.275 million as of December 31, 2020, which was the full carrying amount of the intangible asset.

In connection with the impairment of the Trulance intangible asset as at December 31, 2020, the Company was subject to additional damages under a subsequent phase of arbitration. During the three months ended June 30, 2021, the Company executed a settlement agreement in full settlement of the dispute with Bausch Health Ireland Ltd. ("Bausch Health") and paid the full amount of the settlement amount of $1.5 million.

OFFICE LEASE ASSIGNMENT

During fiscal 2021, the Company assigned the office lease for its corporate operations head office to an arms' length third party and paid an inducement payment of CDN$775. The term of the lease was 10 years and three months and commenced on January 1, 2019. The Company incurred a non-recurring loss on extinguishment of lease expense in the three-months ended September 30, 2021 of $100, in addition, the Company recorded a loss on disposal of assets related to the unamortized leasehold improvements, furniture and fixtures and the office lease – right of use of $658. It is expected that the assignment of the lease will result in a net savings of approximately CDN$2.2 million over the remainder of the lease term.

COVID-19

The Company is closely monitoring the developments of the Coronavirus ["COVID-19"] situation. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, severe travel restrictions and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments in jurisdictions where the Company operates. Labour shortages due to illness, Company or government-imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of the Company's operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Company operates, could negatively impact stock markets, including any future trading price

of the Company's shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing or renegotiating the terms of the Company's existing financing more challenging or more expensive.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties.

The Company has determined that no significant revisions to such estimates, judgments or assumptions were required for the three and six months ended June 30, 2022, any of these developments, and others, could have a material adverse effect on the Company's business and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is reasonably possible that the estimates in the financial statements could change in the near term and the effect of the change could be material. Potential impacts may include, but are not limited to, impairment of long-lived assets and a change in the estimated credit loss on accounts receivable.

Significant Partnerships

GALEPHAR

In 2002, the Company entered into a master licensing and clinical supply agreement [the "Galephar Agreement"] with Galephar, Pharmaceutical Research, Inc. ["Galephar"], a Puerto Rico based pharmaceutical research and manufacturing company. Under the Galephar Agreement, the Company acquired the rights to package, test, obtain regulatory approvals and market CIP-FENOFIBRATE, CIP-ISOTRETINOIN and CIP-TRAMADOL ER in various territories. In particular, the Company has the rights to sell, market and distribute, on a perpetual basis, as follows:

- exclusive rights throughout the world for Galephar's capsule formulation of Tramadol;
- exclusive rights in North, South and Central America, the Caribbean and Bermuda for Galephar's capsule formulation of Isotretinoin and non-exclusive rights in certain other countries; and
- exclusive rights in North, South and Central America, the Caribbean and Bermuda for Galephar's capsule formulation of Fenofibrate and non-exclusive rights in certain other countries.

Cipher is obliged to pay Galephar fifty percent [50%] of any (i) distribution fees it receives, (ii) net sales revenue less manufacturing costs and (iii) royalties received, except that prior to issuance of a patent for a product, only 30% of royalties are payable. If Cipher or its affiliates are directly selling to wholesalers, 12% of net sales received by Cipher is payable to Galephar, or 7% prior to issuance of a patent. No payments are required with respect to a sale of a product occurring 20 years after the first sale of the product in the country or, if a patent is obtained, when the patents lapse in that country for the product, whichever is later. Galephar also supplies product to Cipher through commercial supply agreements for each product.

Certain of the Company's marketed products utilize drug delivery technologies licensed from Galephar:

- *Oral Lidose® Technology*. Galephar's oral semi-liquid capsule drug delivery technology is a patent-protected drug delivery system. Active ingredients are incorporated in semi-solid or liquid compositions contained in capsules. This delivery system facilitates low manufacturing costs, while delivering super-bioavailability for relatively water-insoluble compounds. CIP-FENOFIBRATE and CIP-ISOTRETINOIN are based on the Lidose drug delivery system.

- *Oral Controlled-Released Bead Technology*. Galephar's multiple particle-controlled release capsule technology ["MPCRC"], is based on unique extrusion and spheronization methods, and produces beads containing up to 80% active ingredient. Each coated bead is a controlled release system in itself, and the multi-particulate system provides smooth consistent plasma levels over an extended period of time. The system is virtually pH-independent enabling the product to be taken with or without food. MPCRC enables CIP-TRAMADOL ER.

On May 11, 2017, the founder, vice president and a shareholder of Galephar was elected to the Company's board of directors as a non-independent member.

Licensed Products

CIP-ISOTRETINOIN

United States - Absorica®

In 2012, Cipher's U.S. distribution partner Sun [previously Ranbaxy Laboratories Inc.] launched CIP-ISOTRETINOIN under the trade name Absorica. Prescriptions for Absorica, Absorica LD and Absorica AG were down approximately 7.3% in the six-month period ended June 30, 2022 compared to the six month period ended June 30, 2021, according to Symphony Health. Note that the launch of the authorized generic took place in April 2021 and as such four months of prescriptions in the six-month period ended June 30, 2021 were for Absorica and Absorica LD.

Absorica was protected by five issued patents which were Orange Book listed and expired in September 2021. Galephar was issued a product patent [Patent Number 7,435,427] from the U.S. Patent and Trademark Office in 2008 with a second patent [Patent Number 8,367,102] issued in 2013. A third patent [Patent Number 8,952,064] was issued in February 2015 and the fourth and fifth patents [Patent Numbers 9,078,925 and 9,089,534, respectively] were issued in July 2015. The five patents are formulation-related patents describing the product ingredients.

In September 2013, Sun received a Paragraph IV Certification Notice of filing from Actavis of an abbreviated new drug application ("ANDA") to the FDA for a generic version of Absorica (isotretinoin capsules). A Paragraph IV Certification Notice is filed when the sponsor company of the ANDA believes that its generic product is not infringing on a particular patent and/or that such patent is not valid. A patent infringement lawsuit against Actavis was filed by Sun, Cipher and Galephar in October 2013 and, as a result, the ANDA was subject to a 30-month stay of FDA approval, beginning on the date the notification letter was received. In October 2015, the Company, along with Sun and Galephar, entered into a settlement agreement with Actavis that dismissed the patent litigation suit. As part of the settlement agreement, Cipher, Sun and Galephar entered into a non-exclusive license agreement with Actavis under which Actavis could begin selling its generic version of Absorica in the U.S. on December 27, 2020 (approximately nine months prior to the expiration of the five Absorica patents in September 2021) or earlier under certain circumstances.

Under the terms of the agreement with Sun, the Company received a royalty percentage in the mid-teens on net sales. Cipher's agreement with Sun was for a period of 10 years from the first commercial sale expiring in November 2022.

In July 2018, the Company amended its distribution and supply agreement [the "Sun Amendment"] with Sun for Absorica. The Sun Amendment provides Sun with the ability to launch new isotretinoin products prior to the expiration of the agreement in November 2022. The Company will receive a royalty until December 2024 based on U.S. net sales from Sun's isotretinoin product portfolio. In addition, the Absorica New Drug Application ["NDA"] will be returned to the Company on expiry of the agreement in November 2022. On February 3, 2020, Sun launched their new isotretinoin products under the brand name of Absorica LD.

On December 19, 2018, the Company received a Paragraph IV Certification Notice of Filing advising Sun and Galephar that Upsher Smith Laboratories, LLC ("Upsher Smith") has filed an ANDA with the FDA seeking approval to manufacture, use, or sell a generic version of Absorica (10 mg, 20 mg, and 30 mg) prior to the expiration of U.S. Patent Nos. 7,435,427; 8,367,102; 8,952,064; 9,078,925; and 9,089,534. On January 30, 2019, Sun, Cipher and Galephar filed a complaint against Upsher Smith asserting infringement of the five patents. On February 12, 2019, Upsher Smith filed its answer to the complaint. On March 9, 2020 an arbitration meeting was held. On or around September 16, 2019, Sun, Cipher, and Galephar received a second Paragraph IV Certification Notice from Upsher Smith, related to the 40 mg formulation of Absorica. On November 6, 2019, Sun, Cipher, and Galephar filed an Amended Complaint against Upsher Smith, which Upsher Smith answered on November 19, 2019. On March 9, 2020 an arbitration meeting was held. On April 21, 2020, the Company and Upsher Smith concluded a binding arbitration, with the Company being successful in its binding arbitration.

On April 29, 2021, Teva Pharmaceutical Industries Ltd. announced its launch of 10 mg, 20 mg, 25 mg, 30 mg, 35 mg and 40 mg strength generic version of Absorica® (isotretinoin) capsules for the treatment of severe recalcitrant nodular acne in non-pregnant patients 12 years of age and older with multiple inflammatory nodules with a diameter of 5 mm or greater.

On April 29, 2021, the Company launched Absorica AG with its marketing partner Sun. The Company believes that this will broaden Cipher's isotretinoin portfolio and ensure we have products to serve each segment of this market and maximize value of this portfolio. Currently our isotretinoin portfolio contains our flagship premium branded product Absorica, ABSORICA LD™ and our newly launched authorized generic for the price sensitive segment of the market.

On June 25, 2021, Upsher-Smith announced the launch of 40 mg strength generic version of Absorica® (isotretinoin). On September 28, 2021, Upsher-Smith announced the launch of three additional strengths of Isotretinoin Capsules. Upsher-Smith

now offers Isotretinoin Capsules in 10 mg, 20 mg, 30 mg and 40 mg strengths. Upsher-Smith's product is AB2-rated to the branded product, Absorica® (isotretinoin) capsules,

On March 10, 2022, the Company announced that it had entered into a second amended and restated distribution and supply agreement with Sun. Under the terms of the amendment, Cipher and Sun have agreed to extend Sun's exclusive right to market, sell and distribute the isotretinoin product portfolio, Absorica and Absorica AG in the United States through December 31, 2026 and Absorica LD through December 31, 2024.

Under the terms of the amended agreement, Cipher will continue to earn a royalty on U.S. net sales from Sun's isotretinoin product portfolio and will continue to be responsible for manufacturing the supplied product. The amendment extends the relationship from November 30, 2022, until December 31, 2026.

Rest of World

In 2014, the Company entered into a definitive distribution and supply agreement with Ranbaxy Laboratories Ltd. ["Ranbaxy India"], a Sun Pharma Company, under which Cipher granted Ranbaxy India the exclusive right to market, sell and distribute isotretinoin capsules in Brazil. Ranbaxy India plans to promote the product through a brand dermatology division in Brazil. Under the terms of this agreement, Cipher received an upfront payment and may be eligible for pre-commercial milestone payments. Cipher will supply the product and product manufacturing will be fulfilled by Galephar. Ranbaxy India will be responsible for all regulatory-related activities associated with gaining and maintaining regulatory approval of the product in Brazil. The product is not currently approved in Brazil.

In January 2018, the Company entered into a distribution and supply agreement with Italmex Pharma S.A. ("Italmex") granting Italmex the exclusive rights to market, sell and distribute isotretinoin products in Mexico. Under the terms of the agreement with Italmex, Cipher is eligible for regulatory and commercial milestone payments. Cipher will supply the product to Italmex, and product manufacturing will be fulfilled by Cipher's partner, Galephar. Italmex will be responsible for all regulatory activities associated with gaining and maintaining regulatory approval of the product in Mexico.

In August 2019, Italmex submitted their dossier to Mexican regulatory agency, COFEPRIS, for review. In October 2021, Italmex received approval of Epuris 10mg and 20mg in Mexico by COFEPRIS Upon achievement of certain regulatory milestones, payments totalling up to $175 are due.

During 2020, one regulatory milestone was achieved and a payment of $120 was received, of which 50% was paid to Galephar. During 2021, a second regulatory milestone was achieved and a payment of $55 was due, of which 50% was paid to Galephar.

During 2020, Cipher entered into an agreement with Galephar to return the distribution rights for Latin America and Mexico to Galephar in exchange for a single digit royalty on net sales in these regions.

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, wrongful dismissal, personal injury, breach of contract and lost profits or other consequential damage claims.

Selected Financial Information

The condensed interim consolidated statements of income and comprehensive income and condensed interim consolidated statements of cash flows for the previously reported U.S. segment are presented as discontinued operations, separate from

the Company's continuing operations which is comprised of the Canadian segment. This MD&A reflects only the results of continuing operations, unless otherwise noted.

The following information has been prepared in accordance with IFRS in U.S. dollars.

(IN THOUSANDS OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Net revenue	**5,558**	6,130	**10,973**	11,578
Total operating expenses	**2,189**	2,310	**4,705**	5,682
Total other expenses	**42**	(20)	**18**	59
Net income for the period from operations	**2,152**	2,816	**4,302**	4,156
Income per share:				
Basic	**0.08**	0.11	**0.17**	0.15
Diluted	**0.08**	0.10	**0.16**	0.15
Total assets	**55,951**	48,074	**55,951**	48,074
Total non-current liabilities	**452**	1,686	**452**	1,686

The fluctuations in reported results during this period were primarily from the following factors:

- For the three and six months ended June 30, 2022, licensing revenue decreased by $0.8 and $1.5 million, respectively, due to the launch of Absorica AG starting in April 2021. Licensing revenue for 2021 contained four months of Absorica sales prior to the launch of the Absorica AG product.
- For the three and six months ended June 30, 2022, operating expenses decreased by $0.1 and $1.0 million, respectively, compared to those of the comparative periods due primarily to a provision for legal settlement of $1.25 million related to Trulance in Q1 2021.
- For the three and six months ended June 30, 2022, income before income taxes decreased by $0.5 million and increased by $0.4 million or 13% and 7%, respectively, primarily due to the decrease in licensing revenues for the three months ended June 30, 2022 and the provision for legal settlement of $1.25 million in the six months ended June 30, 2022. Excluding the provision for legal settlement recorded in Q1 2021, income before income taxes for the six months ended June 30, 2022 was $6.2 million compared to $7.1 million for the six months ended June 30, 2021.
- Excluding the provision for legal settlement of $1.25 million recorded in Q1 2021, income per common share on a basic and diluted basis for the six months ended June 30, 2022 was $0.17 and $0.16 compared to income per common share on both a basic and diluted basis of $0.20 for the six months ended June 30, 2021.

Review of Operating Results

REVENUE

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Licensing revenue	**2,046**	2,847	**4,144**	5,626
Product revenue	**3,512**	3,283	**6,829**	5,952
Net revenue	**5,558**	6,130	**10,973**	11,578

Total net revenue decreased by $0.6 million or 10% to $5.6 million for the three months ended June 30, 2022 compared to $6.1 million for the three months ended June 30, 2021. Total net revenue decreased by $0.6 million or 5% to $11.0 million for the six months ended June 30, 2022 compared to $11.6 million for the six months ended June 30, 2021.

Licensing Revenue

Licensing revenue decreased by $0.8 million or 28% to $2.0 million for the three months ended June 30, 2022 compared to $2.8 million for the three months ended June 30, 2021. Licensing revenue decreased by $1.5 million or 26% to $4.1 million for the six months ended June 30, 2022 compared to $5.6 million for the six months ended June 30, 2021.

Licensing revenue from Absorica in the U.S. was $1.3 million for the three months ended June 30, 2022, a decrease of $1.1 million or 46% compared to $2.4 million for the three months ended June 30, 2021. Licensing revenue in Q2 2021 included a full month of Absorica sales. Licensing revenue from Absorica in the U.S. was $2.7 million for the six months ended June 30, 2022, a decrease of $2.0 million or 43% compared to $4.7 million for the six months ended June 30, 2021. Licensing revenue in for the six months ended June 30, 2021 included four full months of Absorica sales. Absorica and the authorized generic version of Absorica's market share for the three months ended June 30, 2022 was approximately 4.4% compared to approximately 4.2% for the three months ended June 30, 2021, according to Symphony Health. Market share including Sun's Absorica LD was approximately 5.5%. Overall Absorica business (brand, AG and LD format) declined year over year, from 6.2% market share at June 30, 2021**.**

Licensing revenue from Lipofen and the authorized generic version of Lipofen was $0.7 and $1.4 million for the three and six months ended June 30, 2022, respectively, an increase of $0.3 and $0.6 million or 80% and 75%, respectively, compared to $0.4 and $0.8 million for the three and six months ended June 30, 2021.

Licensing revenue from the extended-release tramadol product (ConZip in the U.S. and Durela in Canada) was $0.02 million for the three months ended June 30, 2022, a decrease of $0.03 million compared to $0.05 million for the three months ended June 30, 2021. During the three months ended June 30, 2022, the Company started to distribute Durela directly in Canada. Effective April 1, 2022, Durela is accounted for as product revenue. Licensing revenue from the extended-release tramadol product (ConZip in the U.S. and Durela in Canada) was $0.06 million for the six months ended June 30, 2022, a decrease of $0.1 million compared to $0.16 million for the six months ended June 30, 2021

Product Revenue

Product revenue increased by $0.2 million or 7% to $3.5 million for the three months ended June 30, 2022 compared to $3.3 million for the three months ended June 30, 2021. Product revenue increased by $0.9 million or 15% to $6.8 million for the six months ended June 30, 2022 compared to $6.0 million for the six months ended June 30, 2021.

Product revenue from Epuris was $3.3 million for the three months ended June 30, 2022, an increase of $0.2 million from $3.1 million for the three months ended June 30, 2021. Product revenue from Epuris is transacted in Canadian dollars, in its native currency Epuris revenue increased by approximately 9% or $0.4 million. Product revenue from Epuris was $6.4 million for the six months ended June 30, 2022, an increase of $0.7 million from $5.7 million for the six months ended June 30, 2021. Product revenue from Epuris is transacted in Canadian dollars, in its native currency Epuris revenue increased by approximately 15% or $1.1 million.

Product revenue for the remaining brands, Ozanex, Beteflam, Actikerall, Brinavess, Aggrastat, Vaniqa and Durela was $0.2 million for the three months ended June 30, 2022 compared to $0.2 million for the three months ended June 30, 2021. Product revenue for the remaining brands, Ozanex, Beteflam, Actikerall, Brinavess, Aggrastat, Vaniqa and Durela was $0.4 million for the six months ended June 30, 2022 compared to $0.3 million for the six months ended June 30, 2021.

OPERATING EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Cost of products sold	**1,072**	1,041	**2,195**	1,961
Research and development	**1**	87	**66**	88
Selling, general and administrative	**1,116**	1,182	**2,444**	2,383
Provision for legal settlement	**—**	—	—	1,250
Total operating expenses	**2,189**	2,310	**4,705**	5,682

Total operating expenses decreased by $0.1 million or 5% to $2.2 million for the three months ended June 30, 2022 compared to $2.3 million for the three months ended June 30, 2021. The decrease in operating expenses for the three months ended

June 30, 2022 is primarily due to the decreased activity in research and development of $0.086 million in the current quarter. Total operating expenses decreased by $1.0 million or 17% to $4.7 million for the six months ended June 30, 2022 compared to $5.7 million for the six months ended June 30, 2021. The decrease in operating expenses for the six months ended June 30, 2022 is primarily due to the provision for legal settlement of $1.25 million in the comparative period. Excluding the provision for legal settlement of $1.25 million, operating expenses for the six months ended June 30, 2022 increased by $0.3 million or 6% to $4.7 million compared to $4.4 million for the six months ended June 30, 2021, this is primarily attributable to the increase in Cost of products sold of $0.2 million compared to the six months ended June 30, 2021

Cost of Products Sold

Cost of products sold for the three months ended June 30, 2022, was $1.1 million, an increase of $0.1 million or 3%from the three months ended June 30, 2021. Gross margin on product sales increased slightly to 69% for the three months ended June 30, 2022 compared to 68% for the three months ended June 30, 2021.

Research and Development

Research and development ("R&D") expenses represent the costs directly associated with developing and advancing our pipeline products and the cost of regulatory submissions in Canada.

R&D expense was minimal for the three months ended June 30, 2022, and slightly lower compared to the respective comparative periods.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense was $1.1 million for the three months ended June 30, 2022, a decrease of $0.1 million or 6% from $1.2 million for the three months ended June 30, 2021. Selling, general and administrative ("SG&A") expense was $2.4 million for the six months ended June 30, 2022, an increase of $0.1 million or 3% from $2.4 million for the six months ended June 30, 2021.

Also included in SG&A is amortization of intangible assets of $0.1 and $0.3 million for the three and six months ended June 30, 2022, respectively, compared to $0.1 and $0.3 million for the three and six months ended June 30, 2021.

Provision for legal settlement

The decrease in the six months ended June 30, 2022, relates to the provision for legal settlement – see *Significant Transactions and Developments* – 2021, section above.

Other Expenses (Income)

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Interest expense	**—**	40	**—**	79
Change in fair value of derivative financial instrument	**—**	(16)	**—**	(5)
Interest income	**(33)**	(3)	**(40)**	(5)
Foreign exchange loss (gain)	**75**	(41)	**58**	(10)
Total other expenses	**42**	(20)	**18**	59

Total other expenses for the three and six months ended June 30, 2022, was $0.04 and $0.02 million, respectively, compared to ($0.02) and $0.06 million for the three and six months ended June 30, 2021, respectively. The changes relate to a fluctuation in the foreign exchange loss(gain) and is partially offset by the decrease in the interest expense, increase in interest income and change in fair value of derivative financial instrument.

Interest Expense

Interest expense decreased by $0.04 million or 100% to nil for the three months ended June 30, 2022, compared to $0.04 million for the three months ended June 30, 2021. The decrease relates to the fact that there was no imputed interest accretion on the lease obligation in the current quarter.

Change in Fair Value of Derivative Financial Instrument

There was no change in the fair value of the derivative financial instrument for the three months ended June 30, 2022 and 2021.

Interest Income

Interest income for the three months ended June 30, 2022 increased due to higher interest rates on cash held at financial institutions.

Foreign Exchange

The Company experienced de minimus foreign exchanges gains/losses for the three months ended June 30, 2022 and 2021. The Company is exposed to currency risk through its net assets, namely its lease obligation and certain recurring transactions denominated in Canadian dollars.

INCOME TAXES

Income tax expense is recognized based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates. These rates are then adjusted to effective tax rates based on management's estimate of the weighted average annual income tax rate expected for the full year in each jurisdiction taking into account taxable income or loss in each jurisdiction and available utilization of deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered.

Income tax expense for the three and six months ended June 30, 2022 was $1.2 and $1.9 million, respectively, compared to $1.0 and $1.7 million, respectively for the three and six months ended June 30, 2021.

The Company has various non-capital losses of approximately $210 million and proactively works with its tax advisors to utilize these losses with the objective of minimizing the amount of cash taxes payable. However, at each reporting date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize a deferred tax asset. This assessment requires the exercise of judgement, which includes a review of various factors including projected taxable income.

As at June 30, 2022, the Company has recognized deferred tax assets in the condensed interim consolidated statement of financial position of $2.3 million. The Company believes that it is probable that future taxable income will be available against which tax losses can be utilized.

At each reporting date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize a deferred tax asset. This assessment requires the exercise of judgement, which includes a review of projected taxable income.

INCOME AND INCOME PER COMMON SHARE

(IN THOUSANDS OF U.S. DOLLARS, except for share and per share amounts)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Net income for the period	**2,152**	2,816	**4,302**	4,156
Basic income per share	**0.08**	0.11	**0.17**	0.15
Diluted income per share	**0.08**	0.10	**0.16**	0.15
Income and comprehensive income for the period	**2,152**	2,816	**4,302**	4,156

Basic income per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per common share is calculated taking into account dilutive instruments that are outstanding.

Income per common share on a basic and diluted basis for the three months ended June 30, 2022 was $0.08 and $0.08, respectively compared to income per common share on both a basic and diluted basis of $0.11 and $0.10, respectively, for the three months ended June 30, 2021.

Net income per common share on a basic and diluted basis for the six months ended June 30, 2022 was $0.17 and $0.16, respectively compared to income per common share on both a basic and diluted basis of $0.15 for the six months ended June

30, 2021. Excluding the provision for legal settlement of $1.25 million recorded in Q1 2021, income per common share on a basic and diluted basis for the six months ended June 30, 2022 was $0.17 and $0.16, respectively, compared to income per common share on both a basic and diluted basis of $0.20 for the six months ended June 30, 2021.

The weighted average number of common shares outstanding for the three months ended June 30, 2022 was 25,434,467 (three months ended June 30, 2021 – 26,797,069). The weighted average number of common shares outstanding for the six months ended June 30, 2022 was 25,621,518 (for the six months ended June 30, 2021 – 26,828,793).

The dilutive weighted average number of common shares outstanding for the three months ended June 30, 2022 was 25,923,619 (three months ended June 30, 2021 – 27,241,061). The diluted weighted average number of common shares outstanding for the six months ended June 30, 2022 was 26,107,106 (for the six months ended June 30, 2021 – 27,221,605).

ADJUSTED EBITDA

EBITDA and adjusted EBITDA are non-IFRS financial measures. The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. The Company defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, changes in fair value of derivative financial instruments, impairment of intangible assets, provision for legal settlement, loss on disposal of assets, loss on extinguishment of lease, restructuring costs and foreign exchange gains and losses from the translation of Canadian cash balances.

The Company considers Adjusted EBITDA as a key metric in assessing business and management performance and considers Adjusted EBITDA to be an important measure of operating performance and cash flow, providing useful information to investors and analysts.

Adjusted EBITDA for the three months ended June 30, 2022, was $3.6 million, a decrease of $0.5 million or 12% compared to $4.1 million for the three months ended June 30, 2021. Adjusted EBITDA for the six months ended June 30, 2022, was $6.7 million, a decrease of $1.0 million or 13% compared to $7.6 million for the six months ended June 30, 2021.

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

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	**$**
Income from continuing operations	**2,152**	2,816	**4,302**	4,155
Add back:				
Depreciation and amortization	**155**	197	**310**	393
Interest expense, net	**(33)**	37	**(40)**	74
Income taxes	**1,175**	1,024	**1,948**	1,681
EBITDA	**3,449**	4,074	**6,520**	6,303
Change in fair value of derivative financial instrument	—	(16)	—	(5)
Loss (gain) from the translation of Canadian cash balances	**75**	(41)	**58**	(9)
Provision for legal settlement	—	—	—	1,250
Share-based compensation	**47**	43	**85**	87
Adjusted EBITDA	**3,571**	4,060	**6,663**	7,626
Adjusted EBITDA per share – basic	**0.14**	0.15	**0.26**	0.28
Adjusted EBITDA per share – dilutive	**0.14**	0.15	**0.26**	0.28

Liquidity and Capital Resources

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2022**	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	**$**	$
Cash provided by operating activities	**3,152**	3,345	**5,252**	7,587
Cash used in investing activities	**—**	—	**—**	—
Cash used in financing activities	**(697)**	(488)	**(1,433)**	(650)
Cash used in discontinued operations	**—**	—	**—**	—
Net change in cash	**2,455**	2,857	**3,819**	6,937
Impact of foreign exchange on cash	**(114)**	(69)	**(176)**	(8)
Cash, beginning of period	**21,850**	13,283	**20,548**	9,142
Cash, end of period	**24,191**	16,071	**24,191**	16,071

Cash

As at June 30, 2022, the Company had cash of $24.2 million compared to $20.5 million as at December 31, 2021.

Operating Activities

Cash provided by operating activities was $5.2 million for the six months ended June 30, 2022, compared to $7.6 million for the six months ended June 30, 2021. Cash provided by operations, excluding working capital was $4.9 million for the six months ended June 30, 2022 compared to $4.7 million for the six months ended June 30, 2021.

Working capital changes are largely attributable to the payments received from our licensing partners during the quarter, which is based on licensing revenue earned in the previous quarter. Royalties earned are paid by our partners on a quarterly basis, subsequent to each quarter end.

Investing Activities

Cash used in investing activities was nil for the six months ended June 30, 2022 and 2021.

Financing Activities

Cash used in financing activities was $1.5 million for the six months ended June 30, 2022, compared to $0.6 million for the six months ended June 30, 2021. The financing activities primarily consisted of the purchase of common shares under the NCIB (as defined below).

Future cash requirements will depend on a number of factors, including investments in product launches, expenditures on R&D for product candidates, costs associated with maintaining regulatory approvals, the timing of payments received or made under licensing or other collaborative agreements, the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights, defending against patent infringement claims, the acquisition of licenses for new products or technologies, the status of competitive products and the success of the Company in developing and maintaining markets for its products.

Financial Instruments

As at June 30, 2022, the Company's financial instruments consisted of cash, accounts receivable, accounts payable and accrued liabilities. Cash, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and their fair values approximate carrying values.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and capital management risk.

Risk Management

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk, currency risk, interest rate risk and capital management risk. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's financial performance.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially expose the Company to significant concentration of credit risk consist of cash and accounts receivable. The Company's investment policies are designed to mitigate the possibility of a deterioration of principal and enhance the Company's ability to meet its liquidity needs and provide reasonable returns within those parameters. Cash is on deposit with Canadian chartered banks. Management monitors the collectability of accounts receivable and estimates an allowance for doubtful accounts.

The Company has concentration risk, as approximately 88% of total sales came from four customers during the six-months ended June 30, 2022 and 80% of total accounts receivable is due from three customers as at June 30, 2022.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

The Company has financed its cash requirements primarily through operations. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing.

The Company anticipates that its current cash, together with the cash flow that is generated from operations will be sufficient to execute its current business plan for the remainder of 2022.

Market Risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company is exposed to currency risk through its net assets and certain recurring transactions that are denominated in Canadian dollars. A change of

10 basis points in the U.S./CDN exchange rate on June 30, 2022, would have had a $0.5 million impact on income and comprehensive income for the period. The following is a summary of the financial assets and financial liabilities denominated in Canadian dollars as of June 30, 2022:

	CDN$
Cash	5,757
Accounts receivable	3,653
Accounts payable and accrued liabilities	(3,349)
Income taxes payable	(10,223)
Finance lease obligations	(654)
Net financial liabilities	(4,816)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Capital Management Risk

The Company's managed capital is comprised of cash and shareholders' equity. The Company's objective when managing its capital structure is to safeguard its ability to continue as a going concern in order to provide returns for shareholders, finance strategic growth plans and satisfy financial obligations as they become due. In order to maintain or adjust the capital structure, the Company may issue new common shares from time to time. The Company relies on cash on hand, cash flows from operations and debt financing to finance growth initiatives.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. As at June 30, 2022, the Company had 25,202,856 common shares issued and outstanding. No preference shares were issued and outstanding as at June 30, 2022. Subsequent to quarter end, 2,329 common shares were issued under the Company's employee and director share purchase plan and 110,545 common shares were purchased and cancelled under the NCIB program (as defined below), bringing the total number of common shares issued and outstanding to 25,094,640 as of the date of this MD&A.

On September 8, 2021, the Company announced that it received approval from the Toronto Stock Exchange ("TSX") for its intention to renew its normal course issuer bid (the "NCIB") with respect to the Shares. The notice provides that the Corporation may, during the 12 months period commencing September 10, 2021, and ending no later than September 9, 2022, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 1,541,445 of its common shares, representing 10% of its public float of 15,414,450 common shares as of August 27, 2021 (a total of 26,485,401 Common Shares were issued and outstanding as of such date).

Purchases under the NCIB made on the TSX will be made in compliance with the rules of the TSX at a price equal to the market price at the time of purchase or such other price as may be permitted by the TSX. In accordance with TSX rules, any daily repurchases (other than pursuant to a block purchase exception) on the TSX under the NCIB are limited to a maximum of 12,084 common shares, which represents 25% of the average daily trading volume on the TSX of 48,336 for the six months ended August 31, 2021.

Under its previous NCIB that commenced on August 17, 2020, and expired on August 16, 2021, Cipher previously sought and received approval from the TSX to repurchase up to 1,613,592 of its Common Shares. During that timeframe, Cipher repurchased and cancelled 707,300 common shares at an average price of approximately $1.29 per common share.

Cipher believes that, from time to time, the common shares trade in price ranges that do not fully reflect their value. In such circumstances, Cipher believes that acquiring common shares for cancellation may represent an attractive and desirable use of its available funds. Decisions regarding the amount and timing of future purchases of common shares will be based on market conditions, share price and other factors and will be in management's discretion. Cipher may elect to modify, suspend or discontinue the NCIB at any time. Repurchases under the NCIB will be funded using Cipher's cash resources and all common shares repurchased will be cancelled. Cipher entered into an automatic purchase plan effective on September 10,

2021, with a broker which enables Cipher to provide standard instructions in the future and then purchase common shares on the open market during self-imposed blackout periods. Outside of those blackout periods, common shares may be purchased in accordance with management's discretion.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risk Factors

Reference is made to the description of risk factors with respect to the Company and its business in the Company's most recently filed Annual Information Form filed on SEDAR at www.sedar.com and to related information in other filings with Canadian securities regulatory authorities.

Disclosure Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument (NI) 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

We designed the DC&P and ICFR, the latter of which was using the framework in Internal Control – Integrated Framework (published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and as revised in 2013) to provide reasonable assurance (i) that material information relating to us is made known to our CEO and CFO during the reporting period; (ii) that information required to be disclosed by us in our filings under securities legislation is recorded, processed, summarized and reported within the required time periods; (iii) regarding the reliability of financial reporting and preparation of interim consolidated financial statements for external purposes in accordance with IFRS.

Our CEO and CFO evaluated the design effectiveness of the DC&P and ICFR, as defined by NI 52-109, as of June 30, 2022. Based on this evaluation, they concluded that the designs of the DC&P and ICFR were effective as of that date. NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No such change to ICFR has occurred during the most recently completed quarter.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Because of the inherent limitations in any control system, no evaluation of control can provide absolute assurance that all control weaknesses including, for example, any instances of fraud, have been detected. Inherent limitations include: (i) that management's assumptions and judgements could ultimately prove to be incorrect as conditions and circumstances vary; (ii) the impact of any undetected errors; and (iii) controls may be circumvented through the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of control is also based upon assumptions as to the likelihood of future events and there is no assurance that any design will succeed in achieving its goals under future conditions.

Selected Quarterly Information

(IN MILLIONS OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS) (Unaudited)	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
	$	$	$	$
Net revenue	5.6	5.4	5.9	4.5
Income and comprehensive income for the period	2.2	2.1	2.8	0.8
Basic income per Common Share from continuing operations	0.08	0.08	0.11	0.03
Diluted income per Common Share from continuing operations	0.08	0.08	0.11	0.03

(IN MILLIONS OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS) (Unaudited)	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
	$	$	$	$
Net revenue	6.1	5.4	6.1	4.8
Income (loss) and comprehensive income (loss) for the period from continuing operations	2.8	1.3	(0.1)	1.6
Basic income (loss) per Common Share from continuing operations	0.11	0.05	(0.00)	0.06
Diluted income (loss) per Common Share from continuing operations	0.10	0.05	(0.00)	0.06

Cipher Pharmaceuticals Inc.

Condensed interim consolidated financial statements
Unaudited

For the three and six months ended June 30, 2022

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Cipher Pharmaceuticals Inc. [the "Company"] have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada [CPA Canada] for a review of interim financial statements by an entity's auditor.

Cipher Pharmaceuticals Inc.

Condensed interim consolidated statements of financial position

[in thousands of United States dollars - unaudited]

As at

	June 30, 2022	December 31, 2021
	$	$
Assets		
Current assets		
Cash	**24,191**	20,548
Accounts receivable	**7,334**	6,658
Inventory	**2,249**	1,650
Prepaid expenses and other assets	**339**	471
Total current assets	**34,113**	29,327
Property and equipment, net	**445**	501
Intangible assets, net	**3,381**	3,647
Goodwill	**15,706**	15,706
Deferred tax assets *[note 8]*	**2,306**	2,470
Total assets	**55,951**	51,651
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 9*]	**5,086**	5,555
Income taxes payable *[note 8]*	**7,933**	6,233
Contract liability	**510**	450
Current portion of lease obligation *[note 9]*	**55**	56
Total current liabilities	**13,584**	12,294
Lease obligation *[note 9]*	**452**	460
Total liabilities	**14,036**	12,754
Shareholders' equity		
Share capital *[note 3]*	**17,730**	18,121
Contributed surplus	**5,161**	5,092
Accumulated other comprehensive loss	**(9,514)**	(9,514)
Retained earnings	**28,538**	25,198
Total shareholders' equity	**41,915**	38,897
Total liabilities and shareholders' equity	**55,951**	51,651

Commitments and contingencies *[note 9]*

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Approved on behalf of the Board:

(Signed) "Craig Mull"
Craig Mull
Chair of the Board

(Signed) "Harold Wolkin"
Harold Wolkin
Director

Cipher Pharmaceuticals Inc.

Condensed interim consolidated statements of income and comprehensive income

[in thousands of United States dollars - unaudited]

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Revenue				
Licensing revenue *[note 4]*	**2,046**	2,847	**4,144**	5,626
Product revenue	**3,512**	3,283	**6,829**	5,952
Net revenue	**5,558**	6,130	**10,973**	11,578
Operating expenses				
Cost of products sold	**1,072**	1,041	**2,195**	1,961
Research and development	**1**	87	**66**	88
Selling, general and administrative *[notes 5 & 6]*	**1,116**	1,182	**2,444**	2,383
Provision for legal settlement	**—**	—	**—**	1,250
Total operating expenses	**2,189**	2,310	**4,705**	5,682
Other expenses (income)				
Interest expense	**—**	40	**—**	79
Change in fair value of derivative financial instrument	**—**	(16)	**—**	(5)
Interest income	**(33)**	(3)	**(40)**	(5)
Foreign exchange (gain) loss	**75**	(41)	**58**	(10)
Total other expenses	**42**	(20)	**18**	59
Income before income taxes	**3,327**	3,840	**6,250**	5,837
Current income tax expense *[note 8]*	**1,099**	1,022	**1,823**	1,655
Deferred income tax expense *[note 8]*	**76**	2	**125**	26
Total income tax expense	**1,175**	1,024	**1,948**	1,681
Net income and comprehensive income for the period	**2,152**	2,816	**4,302**	4,156
Income per common share *[note 7]*				
Basic	**0.08**	0.11	**0.17**	0.15
Diluted	**0.08**	0.10	**0.16**	0.15

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cipher Pharmaceuticals Inc.

Condensed interim consolidated statements of changes in shareholders' equity

[in thousands of United States dollars - unaudited]

For the six months ended June 30,

	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	[000s]	$	$	$	$	$
Balance, January 1, 2022	**25,937**	**18,121**	**5,092**	**(9,514)**	**25,198**	**38,897**
Net income for the period	**—**	**—**	**—**	**—**	**4,302**	**4,302**
Shares issued under the share purchase plan *[note 3]*	**15**	**25**	**—**	**—**	**—**	**25**
Shares issued under the Restricted Share Unit plan	**78**	**59**	**(59)**	**—**	**—**	**—**
Exercise of stock options *[note 3]*	**37**	**61**	**(21)**	**—**	**—**	**40**
Share-based compensation expense *[note 3]*	**—**	**—**	**149**	**—**	**—**	**149**
Purchase of common shares under common share repurchase plan *[note 3]*	**(864)**	**(536)**	**—**	**—**	**(962)**	**(1,498)**
Balance, June 30, 2022	**25,203**	**17,730**	**5,161**	**(9,514)**	**28,538**	**41,915**
Balance, January 1, 2021	26,973	18,702	5,055	(9,514)	18,399	32,642
Net income for the period	—	—	—	—	4,156	4,156
Shares issued under the share purchase plan *[note 3]*	28	27	—	—	—	27
Shares issued under the Restricted Share Unit plan	65	51	(51)	—	—	—
Exercise of stock options *[note 3]*	16	14	(5)	—	—	9
Share-based compensation expense *[note 3]*	—	—	83	—	—	83
Purchase of common shares under common share repurchase plan *[note 3]*	(527)	(332)	—	—	(220)	(552)
Balance, June 30, 2021	26,555	18,462	5,082	(9,514)	22,335	36,365

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cipher Pharmaceuticals Inc.

Condensed interim consolidated statements of cash flows

[in thousands of United States dollars - unaudited]

For the six months ended June 30,

	2022	2021
	$	$
Operating activities		
Net income for the period	**4,302**	4,156
Add (deduct) items not affecting cash:		
Depreciation of property and equipment	**45**	126
Amortization of intangible assets	**266**	265
Share-based compensation	**149**	87
Foreign exchange loss on cash and lease obligation	**93**	45
Change in fair value of derivative financial instrument	**—**	(5)
Interest on long term liabilities	**—**	79
Deferred income taxes	**—**	(29)
	4,855	4,724
Changes in working capital balances related to operations:		
Accounts receivable	**(676)**	2,892
Inventory	**(599)**	(465)
Prepaid expenses and other assets	**132**	342
Accounts payable and accrued liabilities	**(469)**	(1,829)
Income taxes payable	**1,949**	1,699
Contract liability	**60**	225
Cash provided by operating activities	**5,252**	7,588
Financing activities		
Payment of lease obligations, net	**—**	(131)
Proceeds from shares issued under the share purchase plan	**25**	24
Purchase of common shares under a common share repurchase plan	**(1,498)**	(552)
Exercise of stock options	**40**	9
Cash used in financing activities	**(1,433)**	(650)
Net increase in cash during the period	**3,819**	6,938
Impact of foreign exchange gain on cash	**(176)**	(9)
Cash, beginning of period	**20,548**	9,142
Cash, end of period	**24,191**	16,071

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cipher Pharmaceuticals Inc.

Notes to condensed interim consolidated financial statements

[in thousands of United States dollars, except per share amounts – unaudited]

1. Nature of operations

Cipher Pharmaceuticals Inc. ["Cipher"] and its subsidiaries [together the "Company"] is a specialty pharmaceutical company with a diversified portfolio of commercial and early to late-stage products. The Company acquires products that fulfill unmet medical needs, manages the required clinical development and regulatory approval process, and markets those products either directly in Canada or indirectly through partners in the United States ["U.S."], Canada and Latin America. The Company is building its business through product licensing and acquisitions. Cipher was incorporated under the *Business Corporations Act* (Ontario) on January 9, 2004 and is located at 5750 Explorer Drive, Suite 404, Mississauga, Ontario.

2. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The disclosures contained in these condensed interim consolidated financial statements do not include all of the requirements of International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board for annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS, and are available on SEDAR at www.sedar.com. The condensed interim consolidated financial statements are based on accounting policies as described in the 2021 annual consolidated financial statements, except for the adoptions of new standards effective as of January 1, 2022.

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned legal subsidiaries: Cipher US Holdings Inc., Cipher US Holdco LLC and Cipher Pharmaceuticals US LLC. All significant inter-company balances and transactions have been eliminated upon consolidation.

The Board of Directors approved these condensed interim consolidated financial statements on August 11, 2022.

The Company is closely monitoring the developments of the Coronavirus ["COVID-19"] situation. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, severe travel restrictions and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments in jurisdictions where the Company operates. Labour shortages due to illness, Company or government-imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of the Company's operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Company operates, could negatively impact stock markets, including any future trading price of the Company's shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing or renegotiating the terms of the Company's existing financing more challenging or more expensive.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its condensed interim consolidated financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties.

Although the Company has determined that no significant revisions to such estimates, judgments or assumptions were required for the second quarter of 2022, any of these developments, and others, could have a material adverse effect on the Company's business and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is reasonably possible that the estimates in the condensed interim consolidated financial statements could change in the near term and the effect of the change could be material. Potential impacts may include, but are not limited to, impairment of long-lived assets and a change in the estimated credit loss on accounts receivable.

Fair value of financial instruments

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is quoted bid or ask prices in an active market. Quoted prices are not always available for over-the-counter transactions, as well as transactions in inactive or illiquid markets. In these instances, pricing models, normally with observable market-based inputs, are used to estimate fair value. Financial instruments traded in a less active market have been valued using indicative market prices, present value or other valuation techniques. Where financial instruments trade in inactive markets or when using models where observable parameters do not exist, greater management judgment is required for valuation purposes. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and, therefore, may not be reflective of future fair values.

As at June 30, 2022, the Company's financial instruments consisted of cash, accounts receivable, and accounts payable and accrued liabilities. Cash, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and their fair values approximate carrying values.

3. Share capital

Authorized share capital

The authorized share capital consists of an unlimited number of preference shares, issuable in series, and an unlimited number of voting common shares, with no par value.

The Company has three share-based compensation plans: The Stock Option Plan ["SOP"], the Employee and Director Share Purchase Plan ["ESPP"], and the Restricted Share Units ["RSUs"] and Performance Share Units ["PSUs"]. Full descriptions of the three share-based compensation plans are included in note 14 "Share Capital" to the Company's annual consolidated financial statements as at and for the year ended December 31, 2021.

Share purchase plan

The Company's ESPP allows employees and directors to share in the growth of the Company through share ownership. Through the ESPP, employees and directors may contribute amounts to purchase shares of the Company at a 15% discount from the prevailing trading price. Plan members must hold their shares for a period of at least six months before they can be sold. During the three months ended June 30, 2022, 6,427 shares were issued under the ESPP [three months ended June 30, 2021 – 11,509] at weighted average trading price of CDN $2.39 [three months ended June 30, 2021 – CDN $1.46]. Included in share-based compensation expense is $2 [three months ended June 30, 2021 – $2], which is the discount on the shares issued during the period.

During the six months ended June 30, 2022, 15,526 shares were issued under the ESPP at weighted average trading price of CDN$2.09 [six months ended June 30, 2021 – 28,695]. Included in share-based compensation expense is $4 [six months ended June 30, 2021 – $4], which is the discount on the shares issued during the period.

Normal course issuer bid

On August 12, 2020, the Company announced that the TSX had approved the Company's Notice of Intention to Make a Normal Course Issuer Bid under which the Company may, if considered advisable, purchase for cancellation, from time to time up to August 12, 2021, up to an aggregate of 1,613,592 of its issued and outstanding common shares, being 10% of its public float of 16,135,923 common shares as of August 5, 2020. On September 8, 2021, the Company announced that the TSX had approved the renewal of its normal course issuer bid under which the Company may, if considered advisable, purchase for cancellation, from time to time up to September 9, 2022, up to an aggregate of 1,541,445 of its issued and outstanding common shares, being 10% of its public float of 15,414,450 common shares as of August 27, 2021. During the six months ended June 30, 2022, the Company purchased for cancellation 864,400 common shares [six months ended June 30, 2021 – 527,500] at an average price of CDN$2.20 per common share [six months ended June 30, 2021 - CDN$1.30]. The total cash consideration paid exceeded the weighted average carrying value of the shares repurchased by $984 [six months ended June 30, 2021 – $220], which was debited to retained earnings.

Stock option plan

The following is a summary of the changes in the stock options outstanding from January 1, 2022 to June 30, 2022:

	Number of options [000s]	Weighted average exercise price [CDN $]
Balance, January 1, 2022	**554**	**2.36**
Granted during the period	**237**	**2.17**
Exercised during the period	**(37)**	**1.37**
Forfeited/expired during the period	**(53)**	**1.46**
Balance, June 30, 2022	**701**	**2.42**

As at June 30, 2022, 293,598 options were fully vested and exercisable [December 31, 2021 – 315,144].

During the six-months ended June 30, 2022, the Company granted 236,518 stock options under the SOP. The options vest over a four-year period from the grant date, at a rate of 25% per year and expire seven years from the day of grant. The expected volatility is based on the Company's historical volatility over a comparable period based on expected life. There is no expected dividend. The exercise price and Black-Scholes assumptions are as follows:

Grant date	Number granted	Exercise price [CDN$]	Black-Scholes value [CDN$]	Risk-free interest rate	Expected life	Expected volatility
March 17, 2022	236,518	2.17	1.28	1.92%	4.9 years	68.9%

The total stock option expense for the three and six months ended June 30, 2022 is $16 and $26, respectively [three and six months ended June 30, 2021 – $17 and $32].

The following information relates to stock options that were outstanding as at June 30, 2022:

Range of exercise prices [CDN $]	Number of options [000s]	Weighted average remaining contractual life [years]	Weighted average exercise price [CDN $]
0.72 – 1.48	**265**	**4.8**	**0.96**
2.17 – 5.24	**384**	**5.1**	**2.85**
6.19 – 13.88	**52**	**3.8**	**6.90**
	701	**4.9**	**2.42**

During the three months ended June 30, 2022, 37,000 stock options were exercised [three months ended June 30, 2021 – 16,000] for gross proceeds of CDN$50 [three months ended June 30, 2021 – CDN$12]. The Company's SOP provides that an option holder may elect to receive a number of shares equivalent to the growth value of vested options, which is the difference between the market price and the exercise price of the options.

During the six months ended June 30, 2022, 37,000 stock options were exercised [six months ended June 30, 2021 – 16,000] for gross proceeds of CDN$50[six months ended June 30, 2021 – CDN$12].

Restricted Share Unit and Performance Share Unit Plan

On May 13, 2015, the Company adopted an RSU and PSU Plan. RSUs and PSUs are notional share units exchangeable for common shares of the Company. RSUs are granted to all employees and directors of the Company and PSUs are granted to certain executives. RSUs granted to employees vest annually over three or four years and RSUs granted to directors vest over a one-year period. There are no PSUs outstanding as at June 30, 2022.

A summary of the RSUs granted and outstanding as at June 30, 2022 is as follows:

	RSUs number of units [000s]
Balance, January 1, 2022	**202**
Granted during the period	**301**
Vested during the period	**(78)**
Forfeited/cancelled during the period	**-**
Balance, June 30, 2022	**425**

The total expense for RSUs for the three months ended June 30, 2022 is $29 [three months ended June 30, 2021 – $24]. The total expense for the six months ended June 30, 2022 is $46 [six months ended June 30, 2021 – $50].

[in thousands of United States dollars, except per share amounts – unaudited]

4. Revenue

The Company earns licensing revenue from both royalties and product sales to its partners; the breakdown is as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	$	$
Licensing revenue				
Royalty revenue	**1,418**	2,475	**3,106**	4,875
Licensing product sales	**598**	372	**1,008**	751
Milestone revenue	**30**	-	**30**	-
	2,046	2,847	**4,144**	5,626

5. Expenses by nature

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	$	$
Employee salaries and benefits				
Salaries, bonuses and benefits	**241**	257	**552**	487
Share-based compensation	**47**	42	**76**	86
	288	299	**628**	573

For the three and six months ended June 30, 2022 and 2021, all employee salaries and benefits are recorded in selling, general and administrative expenses.

Notes to condensed interim consolidated financial statements

[in thousands of United States dollars, except per share amounts – unaudited]

6. Compensation of key management

Key management includes directors and executives of the Company. The compensation paid or payable to key management for services is shown below:

	Three months ended June 30, 2022	Three months ended June 30, 2021	**Six months ended June 30, 2022**	Six months ended June 30, 2021
	$	$	$	$
Salaries, bonuses and benefits	**180**	62	**400**	111
Share-based compensation	**36**	32	**56**	67
Directors fees	**72**	65	**137**	129
	288	159	**593**	307

The interim Chief Executive Officer of the Company did not receive compensation in that capacity; however, directors' fees were paid.

7. Net income per common share

Net income per share is calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three months ended June 30, 2022 was 25,434,467 [three months ended June 30, 2021 – 26,797,069]. The weighted average number of shares outstanding for the six months ended June 30, 2022 was 25,621,518 [for the six months ended June 30, 2021 – 26,828,793].

Diluted net income per common share is calculated using the weighted average number of common shares outstanding taking into consideration the weighted average impact of dilutive securities. The dilutive weighted average for the three months ended June 30, 2022 was 25,923,619 [three months ended June 30, 2021 – 27,241,061]. The diluted weighted average number of shares outstanding for the six months ended June 30, 2022 was 26,107,106 [for the six months ended June 30, 2021 – 27,221,605].

8. Income tax expense

Income tax expense is recognized based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates. These rates are then adjusted to effective tax rates based on management's estimate of the weighted average annual income tax rate expected for the full year in each jurisdiction taking into account taxable income or loss in each jurisdiction and available utilization of deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered. The income tax expense for the three and six months ended June 30, 2022 was $1,175 and $1,948, respectively [three and six months ended June 30, 2021 - $1,024 and $1,681, respectively].

As at June 30, 2022, the Company has recognized deferred tax assets in the condensed interim consolidated statements of financial position of $2,306 [December 31, 2021 - $2,470].

9. Commitments and contingencies

Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors and officer's liability insurance to mitigate the cost of any potential future lawsuits or actions.

The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

Executive employment agreements allow for additional payments if a change of control occurs or for termination with or without cause.

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third-party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined.

In the normal course of business, the Company may be the subject of litigation or other potential claims. While management assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defending itself against litigation.

The Company has development and regulatory milestone payments of up to $4,050 related to its near-term pipeline product, MOB-015 that become payable upon achievement. MOB-015 also has net sales milestones payable of $10,000 upon achievement.

Lease obligation

The Company has an office lease for its corporate operations head office. The term of the lease is five years and commenced on June 1, 2022. The Company had access to the office as at December 31, 2021. The undiscounted commitment for the remaining lease term as at June 30, 2022 is approximately CDN$728.

Licensing agreements with Galephar

In 2002, the Company entered into a Master Licensing and Clinical Supply Agreement [the “Agreement”] with Galephar, a Puerto Rico based pharmaceutical research and manufacturing company. Under the Agreement, the Company acquired the rights to package, test, obtain regulatory approvals and market CIP-FENOFIBRATE, CIP-ISOTRETINOIN and CIP-TRAMADOL ER [the “CIP Products”] in various countries. In accordance with the Agreement, the Company retains 50% of all revenue from licensing and distribution arrangements entered into with respect to the CIP Products, with the other 50% due to Galephar. Galephar retains the right to manufacture and supply the CIP Products. With respect to licensing and distribution arrangements, the Company manages the product supply arrangements with their respective marketing partners and Galephar; product is shipped directly from Galephar to the respective marketing partners. Where the Company has opted to market and sell the CIP Product directly, the Company purchases the finished goods from Galephar directly.

With respect to CIP-ISOTRETINOIN, the Company has entered into licensing and distribution arrangements for U.S., Mexico and Brazil, while opting to market and sell the product directly in Canada. The Company also has in place various licensing and distribution arrangements with respect to CIP-FENOFIBRATE in the U.S. and CIP-TRAMADOL ER in the U.S. and Latin America, while opting to market and sell CIP-TRAMADOL ER in Canada, effective April 2022.

During the three and six months ended June 30, 2022, the Company paid royalties of $1,783 [three months ended June 30, 2021 – $3,960] and $3,874 [six months ended June 30, 2021 - $6,618], respectively to Galephar. As at June 30, 2022, the amounts in accounts payable and accrued liabilities owed to Galephar were $2,849 [December 31, 2021 – $3,165]. Amounts payable to Galephar are remitted quarterly, after the Company collects from its

licensing partners. Accordingly, the Company's accounts receivable have a corresponding balance representing amounts owed by its licensing partners.

10. Segmented information

The Company's operations are categorized into one reporting segment, being specialty pharmaceuticals. Prior to the disposal of the U.S. business, the Company managed its operations geographically in Canada and the United States, representing two segments. Following the disposal of the U.S. operations, the Company has one reportable segment.

The Company generated approximately 62% [six months ended June 30, 2021 – 51%] of its net revenue within Canada, with the remainder attributable to the U.S. There are no significant assets located outside of Canada.