Cipher Pharmaceuticals Inc.

Condensed interim consolidated financial statements
Unaudited

For the three months ended March 31, 2023

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 March 31, 2023	As at December 31, 2022
	$	$
Assets		
Current assets		
Cash and cash equivalents	**33,427**	28,836
Accounts receivable	**5,487**	6,802
Inventory	**2,383**	2,152
Prepaid expenses and other assets	**332**	371
Total current assets	**41,629**	38,161
Property and equipment, net	**471**	481
Intangible assets, net	**2,451**	2,754
Goodwill	**15,706**	15,706
Deferred tax assets *(Note 9)*	**16,703**	16,674
Total assets	**76,960**	73,776
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**4,127**	4,107
Income taxes payable *(Note 9)*	**5,004**	4,904
Contract liability	**285**	257
Current portion of lease obligation *(Note 10)*	**101**	101
Total current liabilities	**9,517**	9,369
Lease obligation *(Note 10)*	**302**	327
Total liabilities	**9,819**	9,696
Shareholders' equity		
Share capital *(Note 4)*	**18,294**	17,719
Contributed surplus	**5,273**	5,358
Accumulated other comprehensive loss	**(9,514)**	(9,514)
Retained earnings	**53,088**	50,517
Total shareholders' equity	**67,141**	64,080
Total liabilities and shareholders' equity	**76,960**	73,776

Commitments and contingencies *(Note 10)*

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 March 31,	
	2023	2022
	$	$
Revenue		
Licensing revenue *(Note 5)*	**1,676**	2,099
Product revenue	**3,210**	3,317
Net revenue	**4,886**	5,416
Operating expenses		
Cost of products sold	**977**	1,124
Research and development	**3**	65
Depreciation and amortization	**343**	155
Selling, general and administrative *(Notes 6 & 7)*	**1,217**	1,173
Total operating expenses	**2,540**	2,517
Other (income) expenses		
Interest income	**(355)**	(7)
Unrealized foreign exchange gain	**(7)**	(17)
Total other (income) expenses	**(362)**	(24)
Income before income taxes	**2,708**	2,923
Current income tax (recovery) expense *(Note 9)*	**97**	724
Deferred income tax (recovery) expense *(Note 9)*	**(15)**	50
Total income tax (recovery) expense	**82**	774
Net income and comprehensive income for the period	**2,626**	2,149
Income per share *(Note 8)*		
Basic	**0.10**	0.08
Diluted	**0.10**	0.08

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)

	Share Capital		Contributed Surplus	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	(000s)	$	$	$	$	$
Balance, January 1, 2023	**25,063**	**17,719**	**5,358**	**(9,514)**	**50,517**	**64,080**
Net income for the period	**-**	**-**	**-**	**-**	**2,626**	**2,626**
Shares issued under the share purchase plan *(Note 4)*	**4**	**10**	**-**	**-**	**-**	**10**
Shares issued under the Restricted Share Unit plan	**261**	**497**	**(497)**	**-**	**-**	**-**
Exercise of stock options *(Note 4)*	**36**	**85**	**(32)**	**-**	**-**	**53**
Share-based compensation expense *(Note 4)*	**-**	**-**	**444**	**-**	**-**	**444**
Purchase of common shares under common share repurchase plan *(Note 4)*	**(29)**	**(17)**	**-**	**-**	**(55)**	**(72)**
Balance, March 31, 2023	**25,335**	**18,294**	**5,273**	**(9,514)**	**53,088**	**67,141**
Balance, January 1, 2022	25,937	18,121	5,092	(9,514)	25,198	38,897
Net income for the period	-	-	-	-	2,149	2,149
Shares issued under the share purchase plan *(Note 4)*	9	13	-	-	-	13
Shares issued under the Restricted Share Unit plan	78	59	(59)	-	-	-
Exercise of stock options *(Note 4)*	-	-	-	-	-	-
Share-based compensation expense *(Note 4)*	-	-	38	-	-	38
Purchase of common shares under common share repurchase plan *(Note 4)*	(463)	(288)	-	-	(461)	(749)
Balance, March 31, 2022	25,561	17,905	5,071	(9,514)	26,886	40,348

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)

	Three months ended March 31,	
	2023	2022
	$	$
Operating activities		
Net income for the period	**2,626**	2,149
Add (deduct) items not affecting cash:		
Depreciation and amortization	**343**	155
Share-based compensation	**444**	38
Unrealized foreign exchange gain	**(7)**	(17)
Non-cash interest	**3**	-
Deferred income taxes	**(15)**	-
	3,394	2,325
Changes in working capital balances related to operations:		
Accounts receivable	**1,315**	(1,146)
Inventory	**(231)**	(222)
Prepaid expenses and other assets	**39**	159
Accounts payable and accrued liabilities	**20**	(14)
Income taxes payable	**100**	774
Contract liability	**28**	76
Cash provided by operating activities	**4,665**	1,952
Financing activities		
Payment of lease obligations, net *(Note 10)*	**(25)**	-
Proceeds from shares issued under the share purchase plan	**10**	13
Purchase of common shares under a common share repurchase plan	**(72)**	(749)
Exercise of stock options	**53**	-
Cash used in financing activities	**(34)**	(736)
Net increase in cash during the period	**4,631**	1,216
Impact of foreign exchange on cash	**(40)**	86
Cash and cash equivalents, beginning of period	**28,836**	20,548
Cash and cash equivalents, end of period	**33,427**	21,850

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

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 acquisitions and in-licensing arrangements. Cipher was incorporated under the *Business Corporations Act* of 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 Company's annual consolidated financial statements for the year ended December 31, 2022, 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 Company's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023 and amendments to the existing accounting policies surrounding financial instruments, for the inclusion of long-term debt, as outlined below.

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 May 11, 2023.

Financial instruments

Financial liabilities at amortized cost

This classification includes accounts payable and accrued liabilities, and long-term debt. Financial liabilities at amortized cost are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial liabilities at amortized cost, are added to or deducted from the fair value on initial recognition. Subsequently, financial liabilities at amortized cost are measured at amortized cost using the effective interest rate method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company does not have any financial instruments classified as fair value through other comprehensive income.

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 March 31, 2023, the Company's financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt. Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost and their fair values approximate carrying values.

3. Long-term Debt

The Company entered into a credit facility (the "Credit Facility") with Royal Bank of Canada on February 28, 2023. The Credit Facility provides the Company with up to $35 million. The Credit Facility is structured as a $15 million Senior Secured Revolving Term Loan (the "Term Loan") with an additional accordion option to be increased by $10 million. Additionally, the Credit Facility has a $10 million Senior Secured Revolving Credit Facility (the "Revolving Loan"). The initial term of the Term Loan is three years and the Revolving Loan is payable on demand. The Credit Facility bears interest at market prevailing rates once drawn upon.

As at March 31, 2023, there were no amounts drawn on the Credit Facility.

4. 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") Plan. Full descriptions of the three share-based compensation plans are included in Note 11 "Share Capital" to the Company's annual consolidated financial statements as at and for the year ended December 31, 2022.

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 March 31, 2023, 3,738 shares were issued under the ESPP (three months ended March 31, 2022 – 9,099) at a weighted average trading price of CDN$3.71 (three months ended March 31, 2022 – CDN $1.89). Included in share-based compensation expense is $2 (three months ended March 31, 2022 – $2), which is the discount on the shares issued during the period.

Normal course issuer bid

On September 19, 2022, 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 September 21, 2023, up to an aggregate of 1,403,293 of its issued and outstanding common shares, being 10% of its public float of 14,032,934 common shares as of September 8, 2022.

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 three months ended March 31, 2023, the Company purchased for cancellation 28,986 common shares (three months ended March 31, 2022 – 463,100) at an average price of CDN$3.38 per common share (three months ended March 31, 2022 - CDN$2.05). The total cash consideration paid exceeded the weighted average carrying value of the shares repurchased by $55 (three months ended March 31, 2022 – $461), 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, 2023 to March 31, 2023:

	Number of options (000s)	**Weighted average exercise price** (CDN $)
Balance, January 1, 2023	**773**	**2.37**
Granted during the period	**227**	**3.75**
Exercised during the period	**(36)**	**1.99**
Forfeited/expired during the period	**(5)**	**0.90**
Balance, March 31, 2023	**959**	**2.72**

As at March 31, 2023, 292,839 options were fully vested and exercisable (December 31, 2022 – 252,554).

During the three-months ended March 31, 2023, the Company granted 227,490 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 16, 2023	227,490	3.75	2.38	3.66%	4.9 years	76.0%

The total stock option expense for the three months ended March 31, 2023 is $52 (three months ended March 31, 2022 – $10).

The following information relates to stock options that were outstanding as at March 31, 2023:

Range of exercise prices (CDN $)	Number of options (000s)	Weighted average remaining contractual life (years)	Weighted average exercise price (CDN $)
0.72 – 1.48	**192**	**4.16**	**0.88**
2.17 – 5.24	**727**	**5.61**	**3.02**
5.25 – 6.19	**40**	**3.38**	**6.19**
	959	**5.23**	**2.72**

During the three months ended March 31, 2023, 36,558 stock options were exercised (three months ended March 31, 2022 – 138). 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.

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. The fair value of RSUs granted is defined as the Company's share price on the date of the grant. There are no PSUs outstanding as at March 31, 2023.

A summary of the RSUs granted and outstanding as at March 31, 2023 is as follows:

	RSUs number of units (000s)
Balance, January 1, 2023	**399**
Granted during the period	**266**
Vested during the period	**(261)**
Forfeited/cancelled during the period	**-**
Balance, March 31, 2023	**404**

The total expense for RSUs for the three months ended March 31, 2023 is $390 (three months ended March 31, 2022 – $17).

(in thousands of United States dollars, except per share amounts – unaudited)

5. Revenue

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

	Three months ended March 31, 2023 $	Three months ended March 31, 2022 $
Licensing revenue		
Royalty revenue	**1,414**	1,688
Licensing product sales	**262**	411
Total licensing revenue	**1,676**	2,099

6. Expenses by nature

Selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income include the following categories of expenses by nature and function:

	Three months ended March 31, 2023 $	Three months ended March 31, 2022 $
Employee compensation	**504**	408
Professional fees	**476**	485
Data management and market research	**32**	36
Regulatory and pharmacovigilance	**104**	102
Insurance	**55**	85
Other administrative costs	**46**	57
	1,217	1,173

Notes to condensed interim consolidated financial statements

(in thousands of United States dollars, except per share amounts – unaudited)

7. 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 March 31, 2023	Three months ended March 31, 2022
	$	$
Salaries, bonuses and benefits	**248**	220
Share-based compensation	**436**	20
Directors' fees	**57**	65
	741	305

The interim Chief Executive Officer of the Company did not receive cash compensation in the capacity as an executive, however received share-based compensation, and received directors fees in the capacity as Chairman of the Board.

8. 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 March 31, 2023 was 25,116,365 (three months ended March 31, 2022 – 25,810,648).

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 March 31, 2023 was 25,552,236 (three months ended March 31, 2022 – 26,276,326).

9. 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 months ended March 31, 2023 was $82 (three months ended March 31, 2022 – $774).

As at March 31, 2023, the Company has recognized deferred tax assets in the condensed interim consolidated statements of financial position of $16,703 (December 31, 2022 – $16,674).

10. 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.

Development milestones

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 of certain clinical trial and regulatory approval metrics. MOB-015 also has net sales milestones payable of $10,000 upon achievement.

The Company has development and regulatory milestone payments of CDN$1,000 related to its near-term pipeline product, CF-101 that become payable upon achievement of certain clinical trial and regulatory approval metrics.

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 March 31, 2023 is approximately $445 (December 31, 2022 – $463).

Licensing agreements with Galephar

In 2002, the Company entered into a Master Licensing and Clinical Supply Agreement (the “Agreement”) with Galephar Pharmaceutical Research Inc. (“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.

As at March 31, 2023, the Company had royalties payable of $1,382 (as at March 31, 2022 – $1,784) to Galephar. 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.

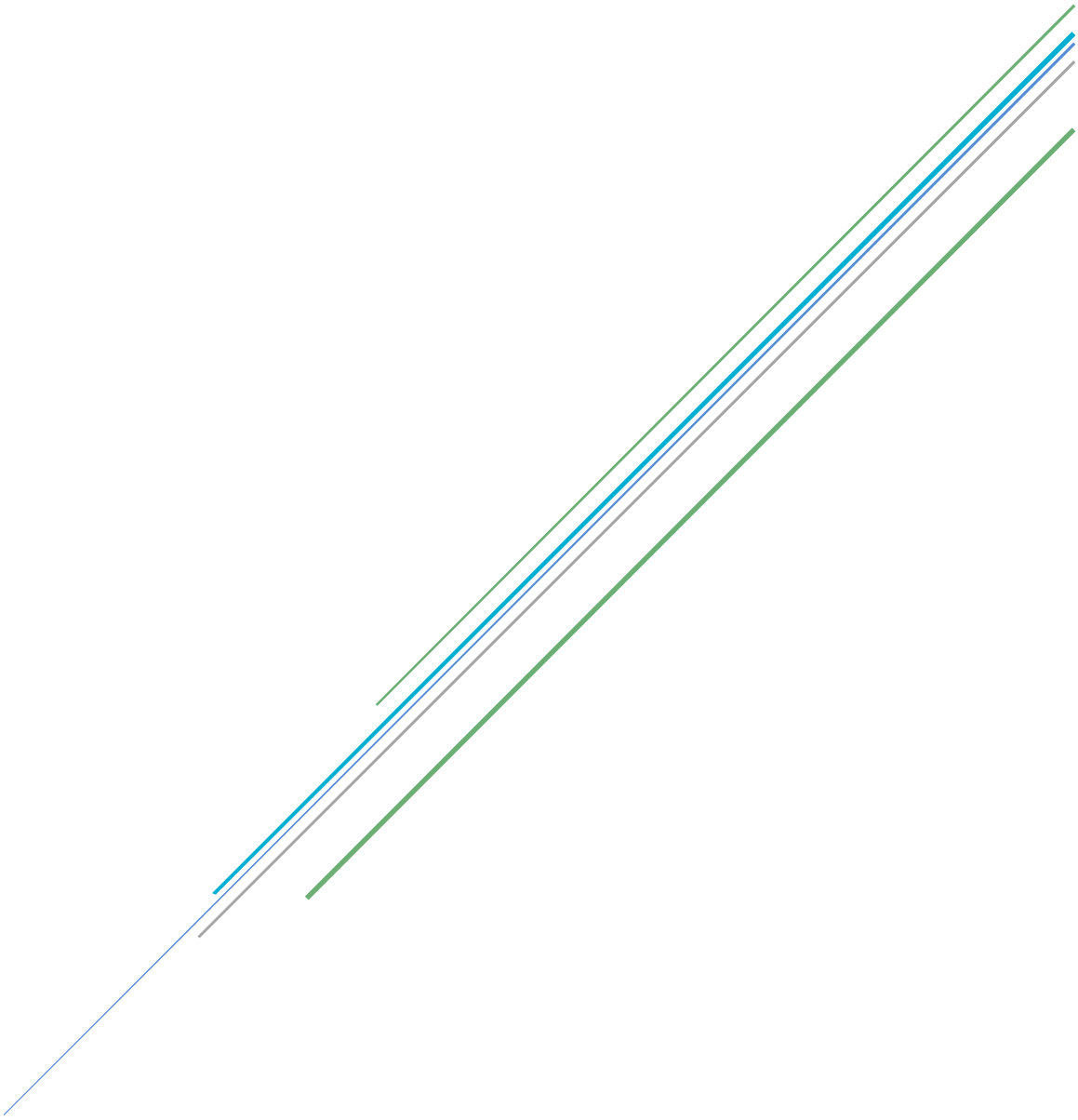
11. Segmented information

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 66% (three months ended March 31, 2022 – 61%) of its net revenue within Canada, with the remainder attributable to the U.S. There are no significant assets located outside of Canada.

Management's Discussion and Analysis

For the three months ended March 31, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023

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 months ended March 31, 2023. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements of Cipher for the three months ended March 31, 2023 and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2022, is available on SEDAR at www.sedar.com.

The discussion and analysis within this Management Discussion and Analysis ("MD&A") are prepared on May 11, 2023. 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, 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; certain of our products are subject to regulation as controlled substances; limitations on reimbursement in the healthcare industry; 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; compliance with privacy and security regulation; our policies regarding returns, allowances and chargebacks may reduce revenues; additional regulatory burden and controls over financial reporting; 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; 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, 2022, 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 is 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.

Business & Strategy

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.

Cipher's corporate strategy is to assemble and manage a portfolio of prescription products across a broad range of therapeutic areas. The Company's strategy includes the following components:

- Strategically market and distribute its Canadian commercial assets 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;
- Conservatively manage capital and maximize cashflow and
- Distribute products through established sales organizations using a royalty based model.

Cipher is actively managing the advancement of our product pipeline development programs including:

- The MOB-015 product for the treatment of nail fungus with our partner Moberg Pharma AB ("Moberg"), presently in a pivotal phase 3 clinical trial in the U.S.
- Completion of proof-of-concept studies for our DTR-001 topical product treatment for the removal of tattoos.
- The Piclidenoson CF-101 ("Piclidenoson") program with our partner Canfite Biopharma, which received positive top-line results from its Phase 3 COMFORT study of Piclidenoson in the treatment of moderate to severe psoriasis.

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.

Pharmaceutical Business

Distributed by Cipher in Canada		
Product Revenue	**Therapeutic Area**	**Product Description**
epuris®	Dermatology	Epuris® (isotretinoin) is an oral retinoid indicated for the treatment of severe nodular and/or inflammatory acne, acne conglobate and recalcitrant acne in patients 12 years of age and older.
actikerall®	Dermatology	Actikerall is a topical solution indicated for the treatment of slightly palpable and/or moderately thick hyperkeratotic actinic keratosis (Grade I/II) of the face, forehead and balding scalp in immunocompetent adult patients.
ozanex ozenoxacin	Dermatology	Ozanex is indicated for the topical treatment of impetigo in patients aged two months and older.
VANIQA®	Dermatology	Vaniqa is a topical cream indicated for the slowing of the growth of unwanted facial hair in women.
Durela tramadol hydrochloride	Pain Management	Durela is an opioid analgesic indicated for the management of moderate to moderately severe pain in adults who require continuous treatment for several days or more.
BRINAVESS®	Hospital Acute Cardiovascular Care	Brinavess® (vernakalant hydrochloride) is for the rapid conversion of recent onset atrial fibriallation ("AF") to sinus rhythm in adults, for non-surgery patients with AF of seven days or less and for use in post-cardiac surgery patients with AF of three days or less.
AGGRASTAT®	Hospital Acute Cardiovascular Care	Aggrastat® (tirofiban hydrochloride) is a reversible GP IIb/IIIa inhibitor (an intravenous anti-platelet drug) for use in patients with Acute Coronary Syndrome.

Licensing Revenue	**Therapeutic Area/ Commercial Partner**	**Product Description**
Absorica®	Dermatology Sun Pharmaceutical Industries, Inc.	Absorica® (isotretinoin) is an oral retinoid indicated for the treatment of severe nodular and/or inflammatory acne, acne conglobate and recalcitrant acne in patients 12 years of age and older.
Lipofen®	Cardiovascular ANI Pharmaceuticals, Inc.	Lipofen® is indicated as adjunctive therapy to diet to reduce elevated LDL-C, total-C, triglycerides (TG) and Apo B, and to increase HDL-C in adult patients with primary hypercholesterolemia or mixed dyslipidemia (Fredrickson Types IIa and IIb). Lipofen is also indicated as adjunctive therapy to diet to reduce triglycerides in adult patients with severe hypertriglyceridemia (Fredrickson Types IV and V hyperlipidemia).
ConZip™	Pain Management Vertical Pharmaceuticals, LLC	Conzip is an opioid agonist indicated for the management of moderate to moderately severe chronic pain in adults who require around-the-clock treatment of their pain for an extended period of time.

Key Performance Measures

Key performance measures for the first quarter ended March 31, 2023 and 2022 are presented in the tables below, along with the quarterly information for the preceding three quarters:

Financial Summary	Q1 2023	% Change vs. Q1 2022	Q4 2022	Q3 2022	Q2 2022
Licensing revenue	**1,676**	-20%	1,987	2,013	2,046
Product revenue	**3,210**	-3%	2,922	2,779	3,512
Total revenues	**4,886**	-10%	4,909	4,792	5,558
Gross Profit	**3,909**	-9%	3,973	3,932	4,486
EBITDA *	**2,696**	-12%	3,008	2,476	3,449
Adjusted EBITDA *	**3,171**	3%	3,147	2,632	3,571
After tax income	**2,626**	22%	19,681	2,654	2,152
Basic EPS	**0.10**	25%	0.78	0.11	0.08
Diluted EPS	**0.10**	25%	0.77	0.10	0.08
Total Assets	**76,960**	43%	73,776	57,434	55,951
Quarterly increase (decrease) in Cash balances	**4,591**		1,359	3,286	2,341

Financial Summary	Q1 2022	% Change vs. Q1 2021	Q4 2021	Q3 2021	Q2 2021
Licensing revenue	**2,099**	-24%	2,755	2,028	2,847
Product revenue	**3,317**	24%	3,097	2,486	3,283
Total revenues	**5,416**	-1%	5,852	4,514	6,130
Gross Profit	**4,292**	-5%	4,920	3,723	5,089
EBITDA *	**3,071**	38%	4,070	1,479	4,074
Adjusted EBITDA *	**3,092**	-13%	4,072	2,213	4,060
After tax income	**2,149**	-60%	2,807	796	2,816
Basic EPS	**0.08**	-62%	0.11	0.03	0.11
Diluted EPS	**0.08**	-64%	0.11	0.03	0.10
Total Assets	**53,997**	17%	51,651	46,393	48,074
Quarterly increase (decrease) in Cash balances	**1,302**		4,920	(443)	2,788

* See “Non-IFRS Financial Measures”

Recent Events

Royal Bank of Canada Credit Facility

On March 1, 2023, the Company announced the completion and closing of a credit facility (the "Credit Facility") with Royal Bank of Canada. The Credit Facility provides the Company with up to $35 million, which is primarily intended to support the Company's future M&A growth strategy and may also be drawn upon for general corporate purposes and working capital requirements. The Credit Facility is structured as a $15 million Senior Secured Revolving Term Loan (the "Term Loan") with an additional accordion option to be increased by $10 million. Additionally, the Credit Facility has a $10 million Senior Secured Revolving Credit Facility (the "Revolving Loan") for general corporate purposes and working capital requirements. The initial term of the Term Loan is 3 years and the Revolving Loan is payable on demand. The Credit Facility bears interest at market prevailing rates once drawn upon.

Piclidenoson Phase III COMFORT Study

In April 2023, the Company's partner, Canfite Biopharma ("Canfite") announced that it received a positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency with respect to the submission of a registration plan for a pivotal Phase III clinical trial of CF-101 for the treatment of moderate to severe psoriasis. The pivotal Phase III study and the safety of the 3 mg twice daily dose of Piclidenoson were accepted by the agency.

In January 2023, Canfite submitted its market registration plan to European Medicines Agency, stating that a submission to the FDA would follow.

In September 2022, Canfite announced its Phase III COMFORT study of Piclidenoson used in the treatment of moderate to severe psoriasis met its primary endpoint of superiority and achieved a better tolerability profile in a comparative analysis. Based on the safety and efficacy data revealed in this trial, Canfite plans to approach the U.S. Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") with a protocol for a pivotal Phase III study for drug approval and registration by the end of 2023.

MOB-015 North American Phase 3 Study

In May 2022, the Company's partner, 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 FDA. Cipher holds the exclusive Canadian rights to MOB-015. In Canada, the total prescription market for Onychomycosis was approximately CDN$82 million according to IQVIA, with a single product having over 90% market share.

Distribution and Supply Agreement with Sun Pharmaceutical Industries

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 product supply. The amendment extends the relationship from November 30, 2022 until December 31, 2026

Office Lease Assignment

During the year ended December 31, 2021, the Company assigned the office lease for its corporate operations head office to a 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 year ended December 31, 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 associated office lease – right of use of $658. It was 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.

Review of Operating Results

REVENUE

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
	$	$
Licensing revenue	**1,676**	2,099
Product revenue	**3,210**	3,317
Net revenues	**4,886**	5,416

Total net revenue decreased by $0.5 million or 10% to $4.9 million for the three months ended March 31, 2023 compared to $5.4 million for the three months ended March 31, 2022.

Licensing Revenue

Licensing revenue decreased by $0.4 million or 20% to $1.7 million for the three months ended March 31, 2023 compared to $2.1 million for the three months ended March 31, 2022.

Licensing revenue from Absorica in the U.S. was $0.95 million for the three months ended March 31, 2023, a decrease of $0.45 million or 32% compared to $1.4 million for the three months ended March 31, 2022. The overall decrease in licensing revenue on the Absorica portfolio (inclusive of the brand, Authorized Generic ("AG") and LD products) is primarily attributable to royalty rates earned on the Absorica portfolio in connection with the amended and restated distribution and supply agreement entered into with Sun on March 10, 2022.

Despite the decrease in licensing revenue associated with the overall Absorica portfolio as described above, total Absorica portfolio market share has increased by 1.6% to 6.8% market share at March 31, 2023, from 5.2% market share at March 31, 2022**.** Absorica and the AG's market share was approximately 6.1% compared to approximately 4.3% as at March 31, 2022, according to Symphony Health.

Licensing revenue from Lipofen and the authorized generic version of Lipofen was flat at $0.7 million for both the three months ended March 31, 2023 and the three months ended March 31, 2022.

Product Revenue

Product revenue decreased by $0.1 million or 3% to $3.2 million for the three months ended March 31, 2023 compared to $3.3 million for the three months ended March 31, 2022.

Product revenue from Epuris was $2.7 million for the three months ended March 31, 2023, a decrease of $0.4 million or 13%, from $3.1 million for the three months ended March 31, 2022. Product revenue from Epuris is transacted in Canadian dollars, and is therefore subject to foreign exchange rate changes with the U.S. dollar. Excluding the impact from foreign exchange translation of $0.2 million, Epuris revenue decreased by approximately 7% or $0.2 million.

Product revenue for the remaining product revenue portfolio, Ozanex, Beteflam, Actikerall, Brinavess, Aggrastat, Vaniqa and Durela was $0.5 million for the three months ended March 31, 2023, an increase of $0.3 million or 159%, compared to $0.2 million for the three months ended March 31, 2022. The increase in product revenues was mainly due to selling Durela directly starting in April 2022, which accounted for $0.2 million for the three months ended March 31, 2023.

In total, on a constant currency basis, product revenue has increased $0.1 million or 3% for the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

OPERATING EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
	$	$
Cost of products sold	**977**	1,124
Research and development	**3**	65
Depreciation and amortization	**343**	155
Selling, general and administrative	**1,217**	1,173
Total operating expenses	**2,540**	2,517

Total operating expenses of $2.5 million were flat for the three months ended March 31, 2023 compared to $2.5 million for the three months ended March 31, 2022. The changes in operating expenses for the three months ended March 31, 2023 primarily include an increase in depreciation and amortization of $0.2 million, offset by a decrease in cost of products sold plus research and development expenses totaling $0.2 million.

Cost of Products Sold

Cost of products sold for the three months ended March 31, 2023 was $1.0 million, a decrease of $0.1 million or 13%, from the three months ended March 31, 2022. Gross margin on product revenue increased by 4% to 70% for the three months ended March 31, 2023 compared to 66% for the three months ended March 31, 2022, due to favourable product pricing outpacing product cost increases.

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 March 31, 2023 and lower compared to the respective comparative period.

Depreciation and amortization

Depreciation and amortization includes $0.3 million for amortization of intangible assets for the three months ended March 31, 2023, which increased by $0.2 million or 136%, compared to $0.1 million for the three months ended March 31, 2022.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense of $1.2 million was flat for the three months ended March 31, 2023 and 2022, due to active management of general business costs.

Included in SG&A, there was an increase in non-cash share-based compensation expense of $0.4 million, from $0.04 million for the three months ended March 31, 2022 to $0.44 million for the three months ended March 31, 2023. This increase in share-based compensation was partially offset by a decrease of $0.3 million in salaries and benefits costs for employees.

OTHER (INCOME) EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
	$	$
Interest income	**(355)**	(7)
Unrealized foreign exchange gain	**(7)**	(17)
Total other (income) expenses	**(362)**	(24)

Total other income for the three months ended March 31, 2023 was $0.4 million compared to $0.02 million for the three months ended March 31, 2022. The increase relates to interest income earned on cash and cash equivalents held at financial institutions, as a result of the increase in prevailing interest rates during the current period.

Interest income increased by $0.3 million to $0.4 million for the three months ended March 31, 2023 compared to a nominal amount for the three months ended March 31, 2022, due to higher prevailing market interest rates on the Company's higher cash balances on-hand.

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 months ended March 31, 2023 was $0.1 million compared to $0.8 million for the three months ended March 31, 2022.

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 March 31, 2023, the Company has recognized deferred tax assets in the condensed interim consolidated statement of financial position of $17 million. The Company believes that it is probable that future taxable income will be available against which tax losses can be utilized.

INCOME AND INCOME PER COMMON SHARE

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
	$	$
Income and comprehensive income for the period	**2,626**	2,149
Basic and diluted earnings per share	**0.10**	0.08

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.

The weighted average number of common shares outstanding for the three months ended March 31, 2023 was 25,116,365 (three months ended March 31, 2022 – 25,810,648).

The dilutive weighted average number of common shares outstanding for the three months ended March 31, 2023 was 25,552,236 (three months ended March 31, 2022 – 26,276,326).

NON-IFRS FINANCIAL MEASURES

This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other companies. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing a further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under IFRS. Management uses non-IFRS measures such as Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA, Adjusted EBITDA per share and Compound Rate of Return ("CAGR") to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess the Company's ability to meet future debt service, capital expenditure, and working capital requirements. The definition and a reconciliation of EBITDA, as used and presented by the Company, to the most directly comparable IFRS measures follows later in this MD&A.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS financial measures and are presented 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, provision for legal settlement, loss on disposal of assets and loss on extinguishment of lease, impairment of intangible assets, restructuring costs and unrealized foreign exchange gains and losses.

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

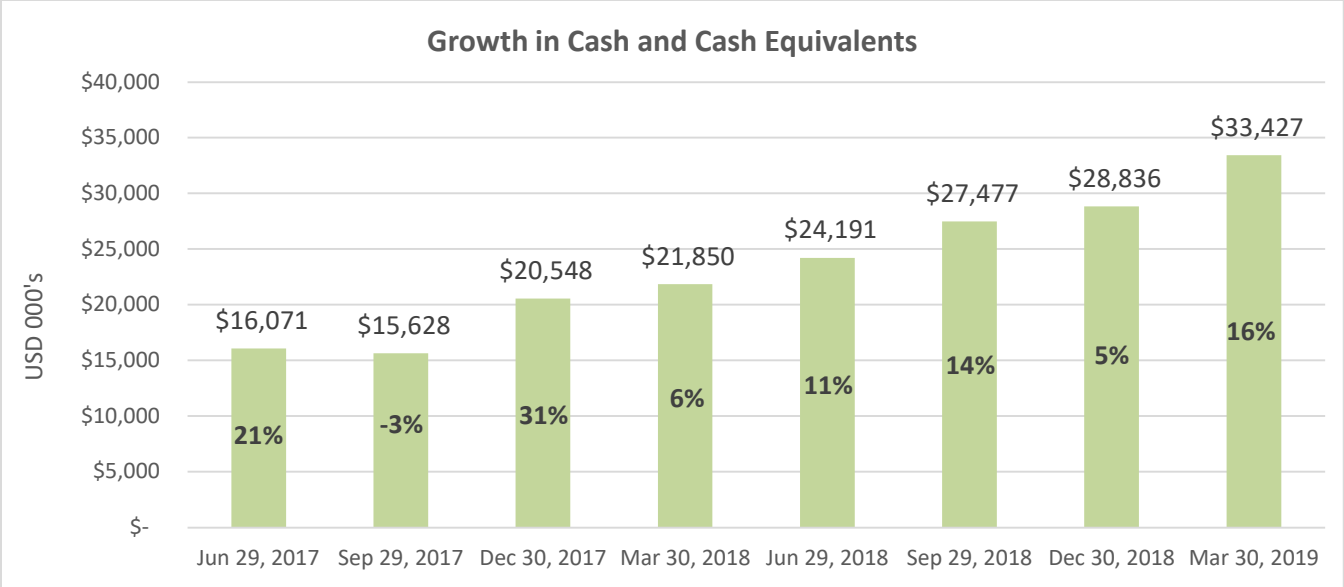
and analysts. Adjusted EBITDA is a calculation that is not standardized and may not be comparable to similar financial measures disclosed by other issuers.
The following is a summary of how EBITDA and Adjusted EBITDA are calculated:

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
	$	$
Income and comprehensive income	**2,626**	2,149
Add back:		
Depreciation and amortization	**343**	155
Interest income	**(355)**	(7)
Income taxes	**82**	774
EBITDA	**2,696**	3,071
Unrealized foreign exchange gain	**(7)**	(17)
Restructuring costs	**38**	—
Share-based compensation	**444**	38
Adjusted EBITDA	**3,171**	3,092
Adjusted EBITDA per share – basic	**0.12**	0.12
Adjusted EBITDA per share – dilutive	**0.12**	0.12

Liquidity and Capital Resources

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
	$	$
Cash provided by operating activities	**4,665**	1,952
Cash used in investing activities	**—**	—
Cash used in financing activities	**(34)**	(736)
Net change in cash	**4,631**	1,216
Impact of foreign exchange on cash	**(40)**	86
Cash and cash equivalents, beginning of period	**28,836**	20,548
Cash and cash equivalents, end of period	**33,427**	21,850

Cash
As at March 31, 2023, the Company had cash and cash equivalents of $33.4 million compared to $28.8 million as at December 31, 2022.
The following graph illustrates the Company's cash and cash equivalents as at March 31, 2023 and the preceding quarterly periods, as well as the percentage increase of cash and cash equivalents over the preceding period.



Cash and cash equivalents as at March 31, 2023 have increased $4.6 million or 16% compared to $28.8 million as at December 31, 2022. The increase in cash and cash equivalents is due to cash provided by operating activities of $4.7 million, partially offset by a nominal amount of cash used in financing activities and a minimal foreign exchange impact, for the three months ended March 31, 2023.

Operating Activities

Cash provided by operating activities was $4.7 million for the three months ended March 31, 2023 compared to $2.0 million for the three months ended March 31, 2022. Cash provided by operations, excluding working capital was $3.4 million for the three months ended March 31, 2023 compared to $2.3 million for the three months ended March 31, 2022. The change in cash provided by operating activities reflects a recovery of $1.3 million in working capital for the three months ended March 31, 2023 compared to a use in working capital of $0.4 million in the comparative period, primarily attributable to improved collections on accounts receivable in the current period.

Investing Activities

Cash used in investing activities was $nil for the three months ended March 31, 2023 and 2022.

Financing Activities

Cash used in financing activities was minimal for the three months ended March 31, 2023 compared to $0.7 million for the three months ended March 31, 2022. The financing activities for the three months ended March 31, 2022 primarily consisted of the purchase of common shares under the NCIB (as defined in the “Outstanding Share Data” section 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 March 31, 2023, the Company’s financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and income taxes payable, which 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 cash equivalents, 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 84% of total sales came from four wholesaler customers during the three month period ended March 31, 2023 and 83% of total accounts receivable is due from three customers as at March 31, 2023.

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 its available undrawn credit facility.

The Company anticipates that its current cash balance and its available undrawn credit facility, together with the cash flow that is generated from operations will be sufficient to execute its current business plan for the remainder of 2023.

Market Risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company operates primarily in U.S. dollars. The Company is exposed to currency risk through its net assets and certain recurring transactions that are denominated in Canadian dollars (“CDN$”). A change of 10 basis points in the U.S./CDN exchange rate on March 31, 2023 would have had a $3 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 March 31, 2023:

	CDN$
Cash and cash equivalents	12,018
Accounts receivable	2,056
Accounts payable and accrued liabilities	(1,971)
Income taxes payable	(6,772)
Finance lease obligations	(545)
Net financial assets	4,786

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, the Credit Facility (as defined in the “Recent Events” section above) 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 preference shares, issuable in series, and an unlimited number of common shares. As at March 31, 2023, the Company had 25,335,338 common shares issued and outstanding. No preference shares were issued and outstanding as at March 31, 2023. Subsequent to March 31, 2023, 1,180 common shares were issued under the Company’s employee and director share purchase plan, bringing the total number of common shares issued and outstanding to 25,336,518 as of the date of this MD&A.

During the three months ended March 31, 2023, a total of 36,558 stock options were exercised with a weighted average exercise price of CDN$1.99. As at March 31, 2023, there were 958,927 options outstanding of which 292,839 have vested.

On September 19, 2022, the Company announced that it received approval from the Toronto Stock Exchange ("TSX") for its intention to commence a normal course issuer bid (the "NCIB") for its common shares. The notice provides that the Company may, during the 12 months period commencing September 22, 2022, and ending no later than September 21, 2023, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 1,403,293 of its common shares, representing 10% of its public float of 14,032,934 common shares as of September 8, 2022 (a total of 25,115,660 Common Shares were issued and outstanding as of such date).
On September 8, 2021, the Company announced that it received approval from the TSX for its intention to renew its NCIB with respect to the common shares. The notice provided that the Company 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 6,531 common shares, which represents 25% of the average daily trading volume on the TSX of 26,127 for the six months ended August 31, 2022.

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.

Contractual Obligations

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.

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 officers 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.

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 of certain clinical trial and regulatory approval metrics. MOB-015 also has net sales milestones payable of $10,000 upon achievement.

The Company has development and regulatory milestone payments of CDN$1,000 related to its near-term pipeline product, CF-101 that become payable upon achievement of certain clinical trial and regulatory approval metrics.

The Company has entered into the Galephar Agreement (as defined in the “Significant Partnerships” section below) with Galephar (as defined in the “Significant Partnerships” section below). 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 (the “CIP Products”) in various countries. In accordance with the Galephar 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 directly in Canada effective April 2022.

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 following table outlines the Company's undiscounted contractual obligations as at March 31, 2023.

Description	**Less than one year**	**Years two and three**	**Beyond three years**	**Total**
	$	$	$	$
Accounts payable and accrued liabilities	4,127	-	-	4,127
Income taxes payable	5,004	-	-	5,004
Lease obligations	110	210	125	445
Total	**9,241**	**210**	**125**	**9,576**

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Selected Quarterly Information

The following amounts are derived from unaudited financial information prepared in accordance with IFRS.

(IN MILLIONS OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS)	**Mar 31, 2023**	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
	$	$	$	$	$	$	$	$
Net revenue	**4.9**	4.9	4.8	5.6	5.4	5.9	4.5	6.1
Income and comprehensive income for the period	**2.6**	19.7	2.7	2.2	2.1	2.8	0.8	2.8
Basic income per Common Share	**0.10**	0.78	0.11	0.08	0.08	0.11	0.03	0.11
Diluted income per Common Share	**0.10**	0.77	0.10	0.08	0.08	0.11	0.03	0.10

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 AND SHARE AMOUNTS)	**March 31, 2023**	March 31, 2022
	$	$
Three months ended		
Net revenues	**4,886**	5,416
Total operating expenses	**2,540**	2,517
Total other income	**(362)**	(24)
Income for the period	**2,626**	2,149
Income per share:		
Basic and diluted earnings	**0.10**	0.08
As at		
Total assets	**76,960**	53,997
Total non-current liabilities	**302**	467

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.

Product Pipeline

MOB-015

On September 18, 2018, Cipher acquired the exclusive Canadian rights to commercialize, promote, sell and distribute MOB-015 from Moberg. MOB-015 is a topical formulation of terbinafine for treatment of onychomycosis, a common and destructive nail infection caused predominately by dermatophyte fungi. Approximately 10% of the general population suffer from onychomycosis and a majority of those afflicted go untreated.

In Canada, according to IQVIA, the total prescription market for Onychomycosis was CDN$90.6 million in 2022, 90% of which were topical drugs, growing with a five-year CAGR of 7% for the period 2017-2022.

MOB-015 is an internally developed topical formulation of terbinafine based on Moberg's experience from its leading OTC product Kerasal Nail®/Emtrix®. Oral terbinafine is currently the standard of care for treating onychomycosis but is associated with safety issues, including drug interactions and liver damage. For many years, developing a topical terbinafine treatment without the safety issues of oral terbinafine has been highly desirable, but unsuccessful due to insufficient delivery of the active substance through the nail.

In a previous phase 2 study, MOB-015 demonstrated delivery of high microgram levels of terbinafine into the nail and through the nail plate into the nail bed. Mycological cure of 54% and significant clear nail growth was observed in patients who completed the phase 2 study. Plasma levels of terbinafine with MOB-015 were substantially lower than after oral administration, reducing the risk of liver toxicities observed with oral terbinafine.

On December 9, 2019, Moberg announced that MOB-015 met the primary endpoint as well as the key secondary endpoints in the North American Phase 3 study. This clinical trial included 365 patients with mild to moderate toenail onychomycosis (nail fungus) affecting 20-60% of the large toenail. The study was conducted at 32 sites in the U.S. and Canada. Patients received treatment for 48 weeks and had the last follow up assessment at 52 weeks. At week 52, significantly more patients reached complete cure when treated with MOB-015 than when treated with vehicle (p=0.019) following 48 weeks of daily treatment.

The primary endpoint, the proportion of patients achieving complete cure of the target toenail at 52 weeks, was achieved in 4.5 percent of the patients receiving MOB-015 and in none of the patients receiving vehicle (p=0.019). Complete cure is a composite endpoint that requires both a completely clear nail and a mycological cure. Mycological cure is defined as both negative KOH test and a negative dermatophyte culture. Mycological cure was achieved in 70% of the patients treated with MOB-015 (p<0.0001).

On June 25, 2020, Moberg announced that MOB-015 met the primary endpoint in the European Phase 3 study including 452 onychomycosis patients, showing non-inferiority versus topical ciclopirox. Mycological cure was achieved in 84% of patients, which is unprecedented for a topical treatment. The Phase 3 results from this study were consistent with the results from the North American Phase 3 study results with low complete cure rates despite the high mycological cure rates.

On September 22, 2021, Moberg announced that it has received approval of the pediatric plan for MOB-015 from EMA's paediatric committee (PDCO). This approval enables the company to pursue a full marketing authorization application providing up to ten years of exclusivity in Europe following approval.

This positive decision means that Moberg intends to conduct a pediatric study during and after the approval process for MOB-015. The study includes 30 children, 6 to 17 years of age, and will be initiated in the second half of 2022. The pediatric study supplements the already completed clinical program, including the two Phase 3 studies with a total of more than 800 patients, where the primary endpoint was achieved in both the North American and European studies.

On November 8, 2021, Moberg announced it had entered into a collaboration with Allderma AB for the launch of MOB-015 in Sweden, Norway and Denmark. In the collaboration, Allderma is responsible for marketing, distribution and sales in Sweden, Denmark and Norway, while Moberg is responsible for the manufacture and delivery of the product. The agreement also includes co-financing of marketing activities and market-based financial terms. The agreement with Allderma complements the existing licensing agreement for MOB-015 in Europe. The agreed terms allow for an early launch in Moberg's home market closely after market approval, expected in 2023.

On December 23, 2021, Moberg announced that the Medical Products Agency in Sweden has agreed to be reference member state for Moberg's registration application for MOB-015.

On March 28, 2022, Moberg submitted a full application, which offers the possibility of data exclusivity in Europe for up to ten years following market approval. The Swedish Medical Products Agency is the reference member state and will lead the review of the application. Moberg's goal is to receive its first market approval and launch MOB-015 in 2023.

On May 10, 2022, Moberg announced that patient enrollment started in an additional North American Phase 3 study for MOB-015 (nail fungus treatment). The randomized, multicenter, vehicle-controlled Phase 3 study will include approximately 350 patients in North America. The patients will be evaluated over 52 weeks and the primary endpoint will be the proportion of subjects achieving complete cure of their target nail. The purpose of the new study is to facilitate market approval in the US as well as strengthen the product's clinical evidence and marketing claims globally.

Piclidenoson CF-101

In March 2015, Cipher entered into an agreement to license the Canadian distribution rights to Piclidenoson, a novel chemical entity being developed by Canfite for moderate to severe plaque psoriasis and rheumatoid arthritis ("RA"). The active agent of Piclidenoson is IB-MECA (methyl 1-[N6-(-3-iodobenzyl)-adenin-9-yl]-beta-D-ribofuronamide), that is active by modulating the key signaling proteins such as NF-kB and PI3K, resulting in inhibition of inflammatory cytokine production.

In 2020, Canfite discontinued the enrollment of patients into the phase III RA program, ACROBAT, after an interim analysis by the data monitoring committee of the study recommended not to continue patient enrollment. Although Piclidenoson treatment was superior to placebo, Piclidenoson treatment was not "non inferior" to Methotrexate, the comparator treatment arm of the study. Canfite made the decision to stop the ACROBAT study and focus on the psoriasis COMFORT study instead.

Approximately one million people in Canada have psoriasis, according to Canadian Dermatology Association in 2018. In moderate to severe cases, the most common treatment options are systemic biologic drugs, which are delivered by injection or intravenous infusion and have well-known shortcomings, including increased risk of infection. Piclidenoson is an oral small molecule drug formulated in a tablet and has an excellent human safety profile, demonstrated in more than 1,000 patients. As of November 2021, the Phase III study has completed patient enrollment. The study is designed to establish Piclidenoson's superiority compared to placebo and non-inferiority compared to apremilast in patients with moderate to severe plaque psoriasis.

Piclidenoson completed a phase II/III double-blind, placebo-controlled study, which was designed to test the efficacy of CF-101 in patients with moderate to severe plaque psoriasis. The study enrolled 326 patients through 17 clinical centers in the U.S., Europe, and Israel. Top-line results from the trial were published by Canfite at the end of March 2015. Results from this phase II/III trial and results from the prior phase II trial in psoriasis were both positive, showing that Piclidenoson effectively improved disease symptoms. In addition, at the end of 2013, Piclidenoson completed a phase IIb study for active RA, and Canfite has completed the study design for a phase III program. Canfite is commencing two phase III programs, one for RA (ACROBAT) and one for psoriasis (COMFORT).

Canfite recently reported topline results from its Phase III COMFORT™ study which met its primary endpoint with statistically significant improvement over placebo in psoriasis patients and an excellent safety profile for Piclidenoson. Canfite indicated that the Phase III COMFORT™ data point towards a better safety profile for Piclidenoson as compared to Otezla, the leading oral therapy for psoriasis on the market.

In January 2023, Canfite submitted its market registration plan to European Medicines Agency, stating that a submission to the FDA would follow.

In April 2023, Canfite announced that it received a positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency with respect to the submission of a registration plan for a pivotal Phase III clinical trial of CF-101 for the treatment of moderate to severe psoriasis. The pivotal Phase III study and the safety of the 3 mg twice daily dose of Piclidenoson were accepted by the agency.

The timeline to regulatory submissions to Health Canada will be determined by the successful results of the psoriasis clinical trial program.

Under the terms of the agreement with the Company, Canfite received an upfront payment of $1.65 million and is eligible for milestone payments of up to $2.0 million and royalties from product sales in Canada. The agreement provides that Canfite will deliver finished product to Cipher.

DTR-001

In May 2016, the Company licensed the worldwide rights to develop, market and sell an investigational tattoo removal cream from Dalhousie University. The product candidate, which is applied topically, has shown encouraging results in pre-clinical testing for the removal or reduction of the appearance of tattoos. The product candidate is currently at the pre-clinical stage of development.

Under the terms of the agreement, an upfront payment of CDN$75,000 was made by Cipher upon execution of the agreement and the agreement contains milestone payments of up to CDN$3.6 million based on future regulatory and commercial sales milestones, as well as royalties on commercial sales. In our tattoo program ("DTR001"), the US patent office issued a Notice of Allowance for the US patent application covering Tattoo dermal compositions (topical, transdermal and intradermal). We have received encouraging results from some proof-of-concept studies and identified a lead candidate compound. Additional in vitro studies were conducted in 2021 to optimize the formulation and demonstrate successful penetration of human skin, further strengthening the proof-of-concept evidence. Further progress was also made in broadening patent protection. In 2021, three patents were granted relating to the Company's tattoo removal program. A Brazilian patent was issued on January 5, 2021, a Hong Kong patent was issued on January 15, 2021 and a New Zealand patent was issued on August 31, 2021 for "COMPOSITIONS AND METHODS FOR THE REMOVAL OF TATTOOS". In addition, on December 29, 2021, a Canadian Patent Application was allowed. These patents have a term to 2034 and are part of a larger family that includes granted US, Australian and European patents and a pending US application.

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.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make a number of judgments, estimates and assumptions regarding recognition and measurement of assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Management reviews its estimates on an ongoing basis to ensure that the estimated values appropriately reflect changes in the Company's business and new information as it becomes available. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition or financial performance.

A detailed description of the Company's critical accounting estimates is provided in Note 4 of the consolidated financial statements for the year ended December 31, 2022 and in the "Critical Accounting Estimates and Judgments" section of the Company's annual MD&A for the year ended December 31, 2022, dated March 16, 2023.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), as those terms are defined in National Instrument (NI) 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Management has 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 the Company is made known to the Chief Executive Officer and Chief Financial Officer during the reporting period; (ii) that information required to be disclosed by the Company in its 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.

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's DC&P and ICFR, as defined by NI 52-109, as of March 31, 2023. Based on this evaluation, management concluded that the design of the DC&P was effective as of that date. In addition, as at March 31, 2023, there were no changes in ICFR that occurred during the three month period ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. As a result, management's conclusion on the effectiveness of the Company's ICFR reporting and its DC&P that they were operating effectively as at December 31, 2022, has not changed.

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.

Risk Factors

There have been no changes to the risk factors with respect to the Company and its business as outlined in the Company's most recently filed Annual Information Form for the year ended December 31, 2022 filed on SEDAR at www.sedar.com and to related information in other filings with Canadian securities regulatory authorities.