Unaudited Condensed Interim Consolidated Financial Statements

HLS Therapeutics Inc.

For the Three and Nine Months Ended September 30, 2023

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[in thousands of U.S. dollars]

	Notes	As at September 30, 2023	As at December 31, 2022
ASSETS			
Current			
Cash		21,808	20,723
Accounts receivable	3	10,625	10,999
Inventories		8,753	8,902
Income taxes recoverable		93	195
Other current assets		2,174	3,555
Total current assets		43,453	44,374
Property, plant and equipment		1,101	1,127
Intangible assets	4	168,867	195,018
Deferred tax asset		1,152	465
Other non-current assets		655	668
Total assets		215,228	241,652
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	5	14,011	12,785
Provisions	6	3,867	2,934
Debt and other liabilities	7	7,101	15,471
Income taxes payable		324	—
Total current liabilities		25,303	31,190
Debt and other liabilities	7	87,673	84,578
Deferred tax liability		450	566
Total liabilities		113,426	116,334
Shareholders' equity			
Share capital	8	263,586	265,206
Contributed surplus		14,175	13,821
Accumulated other comprehensive loss		(5,024)	(5,260)
Deficit		(170,935)	(148,449)
Total shareholders' equity		101,802	125,318
Total liabilities and shareholders' equity		215,228	241,652

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

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF LOSS

Unaudited

[in thousands of U.S. dollars, except per share amounts]

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	10	16,037	15,704	47,211	45,792
Expenses					
Cost of product sales		1,870	1,357	5,091	3,464
Selling and marketing		5,048	4,306	15,180	12,677
Medical, regulatory and patient support		1,675	1,498	4,188	4,121
General and administrative		2,316	2,527	7,040	7,040
Stock-based compensation	8, 11	(19)	125	63	2,170
Amortization and depreciation		8,207	8,834	24,892	25,710
Finance and related costs, net	12	4,223	1,489	9,128	2,852
Other costs	13	42	69	4,106	4,956
Loss before income taxes		(7,325)	(4,501)	(22,477)	(17,198)
Income tax recovery	9	(424)	(91)	(347)	(29)
Net loss for the period		(6,901)	(4,410)	(22,130)	(17,169)
Net loss per share:					
Basic and diluted	8	$(0.21)	$(0.14)	$(0.68)	$(0.53)

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

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Unaudited

[in thousands of U.S. dollars]

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net loss for the period	(6,901)	(4,410)	(22,130)	(17,169)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	(2,154)	(7,578)	236	(9,564)
Comprehensive loss for the period	(9,055)	(11,988)	(21,894)	(26,733)

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

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited
[in thousands of U.S. dollars]

	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2022		265,206	13,821	(5,260)	(148,449)	125,318
Stock options exercised	8	178	(44)	—	—	134
Shares repurchased	8	(1,798)	—	—	826	(972)
Share purchase obligation		—	(295)	—	—	(295)
Stock option expense	8, 11	—	693	—	—	693
Net loss for the period		—	—	—	(22,130)	(22,130)
Dividends declared		—	—	—	(1,182)	(1,182)
Unrealized foreign currency translation adjustment		—	—	236	—	236
Balance, September 30, 2023		263,586	14,175	(5,024)	(170,935)	101,802
Balance, December 31, 2021		265,917	11,717	2,959	(119,857)	160,736
Stock options exercised		251	(67)	—	—	184
Shares repurchased		(539)	—	—	(109)	(648)
Share purchase obligation		—	(255)	—	—	(255)
Stock option expense	8, 11	—	1,930	—	—	1,930
Net loss for the period		—	—	—	(17,169)	(17,169)
Dividends declared		—	—	—	(3,768)	(3,768)
Unrealized foreign currency translation adjustment		—	—	(9,564)	—	(9,564)
Balance, September 30, 2022		265,629	13,325	(6,605)	(140,903)	131,446

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

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
[in thousands of U.S. dollars]

	Notes	Nine months ended September 30, 2023	2022
OPERATING ACTIVITIES			
Net loss for the period		(22,130)	(17,169)
Adjustments to reconcile net loss to cash provided by operating activities			
Stock-based compensation	8, 11	63	2,170
Amortization and depreciation		24,892	25,710
Impairment charge	4, 13	2,352	3,051
Accreted interest	12	580	612
Fair value adjustment on financial assets and liabilities	12	3,151	(2,567)
Deferred income taxes	9	(803)	233
Net change in non-cash working capital balances related to operations	14	3,950	1,381
Cash provided by operating activities		12,055	13,421
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(27)	(36)
Royalty milestone payment		—	(10,000)
Additions to intangible assets	4	(148)	(92)
Cash used in investing activities		(175)	(10,128)
FINANCING ACTIVITIES			
Stock options exercised		134	184
Shares repurchased		(972)	(648)
Dividends paid		(2,398)	(3,769)
Repayment of credit agreement borrowing	7	(5,683)	(7,389)
Drawdown under credit agreement		—	10,000
Debt costs	7	(1,360)	(639)
Lease payments		(474)	(501)
Cash used in financing activities		(10,753)	(2,762)
Net increase in cash during the period		1,127	531
Foreign currency translation		(42)	(431)
Cash, beginning of period		20,723	21,179
Cash, end of period		21,808	21,279

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

1. CORPORATE INFORMATION

HLS Therapeutics Inc. (the "Company") is a specialty pharmaceutical company, which acquires and commercializes pharmaceutical products for the North American markets.

The Company's common shares are listed on the Toronto Stock Exchange under the symbol HLS.

The registered office, head office and principal address of the Company is located at 10 Carlson Court, Suite 701, Toronto, Ontario, M9W 6L2.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 8, 2023.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements conform with those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2022, except as noted below.

These unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. The Company's presentation currency is the United States dollar. All dollar amounts are rounded to the nearest thousand ($000), except where otherwise indicated.

Change in useful life of intangible asset

In the first quarter of fiscal 2023, the Company determined that the useful life of the intangible asset associated with the Vascepa distribution rights was longer than originally estimated when amortization commenced in fiscal 2020. The Company determined that the expected pattern of consumption of future economic benefit extends to at least fiscal 2039. Accordingly, the Company concluded that there are at least 17 years of useful life remaining in the Vascepa distribution rights from the start of fiscal 2023. The impact of this change in estimate is to reduce amortization expense by $990 in the first three quarters of fiscal 2023 and by approximately $1,300 on an annual basis.

Contingencies

In the second quarter of fiscal 2023, the Company determined that the possible claim by one of the Company's commercial marketing services partners noted in the Company's audited consolidated financial statements for the year ended December 31, 2022 will not materialize.

3. ACCOUNTS RECEIVABLE

	September 30, 2023	December 31, 2022
Trade accounts receivable	6,480	6,292
Royalties receivable	3,076	2,613
Other receivables	1,069	2,094
	10,625	10,999

4. INTANGIBLE ASSETS

	Product rights	Distribution rights	Acquired royalties	Total
Cost				
As at December 31, 2022	312,716	22,669	39,682	375,067
Additions	—	148	—	148
Foreign exchange	383	44	—	427
As at September 30, 2023	313,099	22,861	39,682	375,642
Amortization				
As at December 31, 2022	154,037	9,392	16,620	180,049
Amortization	15,696	876	7,849	24,421
Impairment	—	2,154	—	2,154
Foreign exchange	148	3	—	151
As at September 30, 2023	169,881	12,425	24,469	206,775
Net book value				
As at December 31, 2022	158,679	13,277	23,062	195,018
As at September 30, 2023	143,218	10,436	15,213	168,867

Product rights

Product rights relate to the Company's acquisition of the United States and Canada rights to Clozaril® in August 2015.

The product rights have 6.7 years remaining in their amortization period.

Distribution rights

Vascepa®

Effective September 25, 2017, the Company entered into an exclusive agreement with Amarin Corporation plc ("Amarin") to register, commercialize and distribute Vascepa capsules in Canada. Vascepa capsules are a single-molecule prescription product for the treatment of cardiovascular disease.

On December 30, 2019, Health Canada approved Vascepa for use in Canada to reduce the risk of cardiovascular events (cardiovascular death, non-fatal myocardial infarction, non-fatal stroke, coronary revascularization, or hospitalization for unstable angina) in statin-treated patients with elevated triglycerides, who are at high risk of cardiovascular events due to established cardiovascular disease, or diabetes, and at least one other cardiovascular risk factor. The Company introduced Vascepa to the Canadian market in February 2020.

Under the agreement, the Company is responsible for regulatory and commercialization activities and associated costs. The Company has paid upfront and milestone payments totalling $13,750. In addition to these payments, the terms of the agreement include sales-based milestone payments of up to an additional $50,000.

Amarin is also entitled to a tiered double-digit royalty on net sales of Vascepa in Canada. Amarin is obligated to supply finished product to the Company under negotiated supply terms.

As at September 30, 2023, the remaining unamortized costs on this asset is $8,867. This asset has 16.3 years remaining in its amortization period.

Trinomia®

On November 20, 2017, the Company entered into an exclusive agreement with Ferrer Internacional SA ("Ferrer") for the rights to distribute and commercialize Trinomia capsules in Canada. Trinomia has been approved for use outside of Canada for the secondary prevention of cardiovascular events but is not approved for use in Canada. The Company paid a nominal amount on signing with further contingent obligations of up to an aggregate of C$30,675 contingent upon achieving regulatory and sales-based milestones. The Company will also pay a royalty on the net sales of Trinomia in Canada. Ferrer is obligated to supply finished product to the Company under negotiated supply terms.

Amortization on this asset has not commenced as at September 30, 2023 as it has not reached the commercial stage. As at September 30, 2023, the unamortized cost on this asset is $1,529.

PERSERIS®

On May 8, 2019, the Company entered into an exclusive agreement for the rights to register and commercialize PERSERIS in Canada. PERSERIS was approved by Heath Canada for use in Canada on November 19, 2020. Under the terms of the agreement, the Company made an initial upfront payment of $1,000 in fiscal 2019 and a further payment of $2,500 in fiscal 2021 resulting from the achievement of a regulatory and pre-commercial milestone, with a remaining payment of $1,500 by fiscal 2024. The terms of the agreement also call for the Company to pay a tiered double-digit sales royalty on the net sales of PERSERIS in Canada.

In June 2022, negotiations with the pan-Canadian Pharmaceutical Alliance ("pCPA") for public market reimbursement for PERSERIS concluded unsuccessfully. The Company determined that this delay in the expected timing for public market reimbursement represented an indicator of an impairment to its intangible asset related to PERSERIS. The Company performed an impairment analysis and concluded that the carrying amount of PERSERIS exceeded its fair value. This resulted in an impairment charge of $3,051 in the second quarter of fiscal 2022.

The impairment analysis in fiscal 2022 assumed that the Company would be successful in obtaining public listing agreements with specific provinces. In the second quarter of fiscal 2023,

the Company concluded that it was no longer likely that it would succeed in obtaining these agreements on commercially viable terms. As a result, the Company decided to not pursue commercialization of PERSERIS any further and recorded an impairment charge of $2,352, of which $2,154 represented the remaining carrying amount of the intangible asset.

Acquired royalties

Effective September 30, 2020, the Company acquired certain entities that hold the rights to a diversified portfolio of royalty interests on global sales of four different products for upfront cash consideration of $30,750. In fiscal 2022, the Company made a regulatory milestone payment of $10,000. In addition, the Company has contingent obligations of up to $18,500 for commercial performance milestones. As these obligations are contingent upon events that are beyond the Company's control, they are classified as a financial liability under International Financial Reporting Standard 9, *Financial Instruments*, with the initial fair value capitalized to the cost of the intangible asset and subsequent changes in value recorded through the consolidated statement of loss. As at September 30, 2023, the fair value of this contingent consideration is $1,751, and a fair value adjustment of $1,751 is included in finance and related costs for the three and nine months ended September 30, 2023. Fair value was determined using a discounted cash flow model.

As at September 30, 2023, the unamortized cost on the acquired royalty intangible assets is $15,213. These assets have between less than one year and 8.2 years remaining in their amortization periods.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
Trade accounts payable and accrued liabilities	14,011	11,591
Dividend payable	—	1,194
	14,011	12,785

6. PROVISIONS

	Chargebacks and rebates	Returns	Total
As at December 31, 2022	2,187	747	2,934
Charges	5,940	228	6,168
Reversals	—	(54)	(54)
Utilization	(4,859)	(322)	(5,181)
As at September 30, 2023	3,268	599	3,867

7. DEBT AND OTHER LIABILITIES

	September 30, 2023	December 31, 2022
Current		
Credit agreement borrowing	4,692	13,056
Performance share units	—	274
Purchase obligation	1,359	1,428
Share purchase obligation	480	185
Lease obligation	570	528
	7,101	15,471
Non-current		
Credit agreement borrowing	85,052	83,279
Performance share units	142	375
Deferred share units	311	442
Lease obligation	417	482
Fair value of contingent consideration (note 4)	1,751	—
	87,673	84,578
	94,774	100,049

Credit agreement

On August 15, 2018, the Company entered into a credit agreement with a syndicate of bank lenders administered by JPMorgan Chase Bank, N.A. The original maturity date of the credit agreement was August 15, 2023. In September 2022, the Company and its lenders amended the terms of the credit agreement to extend the maturity date of the senior secured term loan portion of the credit agreement by one year to August 15, 2024.

On August 14, 2023, the Company entered into an extension to its agreement, which comprises a senior secured term loan, a revolver facility and an expansion facility, (the "Amended Agreement") with a syndicate of bank lenders still led by JPMorgan Chase Bank, N.A.

Under the terms of the Amended Agreement, the maturity date has been extended to August 11, 2026. The balance on the revolver facility at the time of the amendment was combined with the principal amount remaining on the existing senior secured term loan for a new senior secured term loan balance of $93,830. In addition, there is a new revolving facility of $30,000 and an expansion facility of up to $70,000 to support acquisitions and other growth opportunities.

Interest on borrowing under the Amended Agreement accrues at a rate per month equal to the sum of the Adjusted Secured Overnight Financing Rate ("SOFR") plus a range of 2.75% to 4.25% depending on the leverage ratio of the Company at the time. In fiscal 2019, the Company entered into a swap agreement to fix the LIBOR portion of the rate on the remainder of the initial principal amount at 1.453%. The swap agreement expired in August 2023.

The required annual principal repayment under the Amended Agreement is a 5% amortization based on the new principal balance of $93,830.

The principal amount of the senior secured term loan outstanding as at September 30, 2023 was $91,657.

The Company may be required to make additional payments from surplus cash flows or the Company could choose to repay some or all of the amount outstanding at any time during the term.

Under the terms of the credit agreement, the lenders have security over substantially all of the assets of the Company.

Under the terms of the credit agreement, the Company is required to comply with financial covenants related to the maintenance of liquidity, operational results and coverage ratios. As at September 30, 2023, the Company was in compliance with the financial covenants.

The terms of the credit agreement permit the Company, under certain conditions, to return capital to shareholders through dividends and share repurchases.

The Company concluded that the terms of the amended credit agreement were not substantially different from the terms of the original credit agreement. Transaction costs associated with the credit agreement have been included as a reduction to the carrying amount of the liability and will be amortized through interest expense using the effective interest rate method.

Carrying amount as at December 31, 2022	96,335
Repayments	(5,683)
Debt costs	(1,360)
Accreted interest	452
Carrying amount as at September 30, 2023	89,744
Less current portion	4,692
Non-current portion as at September 30, 2023	85,052

8. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares.

Issued and outstanding

The issued and outstanding common shares are as follows:

	#	$
Balance as at December 31, 2022	32,355,618	265,206
Issued on exercise of stock options	21,605	178
Shares repurchased	(219,369)	(1,798)
Balance as at September 30, 2023	32,157,854	263,586

Stock option plan

A summary of the changes to the stock options outstanding is presented as follows:

	Number of options (#)	Weighted average exercise price per share ($)
Outstanding as at December 31, 2022	3,147,626	10.02
Granted	1,197,500	3.43
Exercised	(21,605)	6.39
Forfeited	(403,048)	9.89
Outstanding as at September 30, 2023	3,920,473	8.02

The fair value of each option granted since inception of the Plan was estimated on the date of the grant using the Black-Scholes option pricing model. The weighted average fair value per stock option granted in fiscal 2023 was $1.66. Significant assumptions used in determining the fair value of options granted in fiscal 2023 are a weighted average volatility rate of approximately 48%, and an expected option life of between four and seven years.

The estimated fair value of the options is amortized to income over the options' vesting period. The Company has recorded stock-based compensation expense in respect of the options for the three and nine months ended September 30, 2023 of $14 and $693 (2022 – $495 and $1,930), respectively. This charge has been credited to contributed surplus.

Performance share units ("PSUs")

The Company issues PSUs to certain of its employees. Each PSU entitles the holder to receive a cash payout if the terms and conditions of the PSU plan are met. These terms include relative total shareholder return ("TSR") performance compared to relevant market indices to be achieved prior to expiry of the three-year term of each PSU.

As at September 30, 2023, the outstanding PSUs are as follows:

Issued in fiscal 2020	250,333
Issued in fiscal 2021	273,151
Issued in fiscal 2022	163,240

The fair value of the PSUs was determined using a risk-neutral Monte Carlo simulation to develop a probabilistic correlation matrix for the Company's TSR and the relevant comparators.

For the three and nine months ended September 30, 2023, the Company has recorded stock-based compensation recovery of $47 and $505 (2022 – recovery of $391 and $32), respectively, in respect of the PSUs. As at September 30, 2023, the liability recorded in the interim consolidated statements of financial position in respect of PSUs is $142, which is classified as non-current.

Deferred share units ("DSUs")

The Company grants DSUs to non-employee members of the Board of Directors. Each DSU entitles the holder to receive the cash equivalent of the Company's share price at the time of redemption. These DSUs vest over four years and can be redeemed only after the holder has left the Board of Directors. As at September 30, 2023, there are 145,728 DSUs outstanding.

For the three and nine months ended September 30, 2023, the Company has recorded stock-based compensation expense and recovery of $14 and $125 (2022 – expense of $21 and $272), respectively, in respect of the DSUs. As at September 30, 2023, the liability recorded in the interim consolidated statements of financial position in respect of DSUs is $311, which is classified as non-current.

Return of capital

The Company's capital management objectives include the flexibility to return capital to shareholders through the Company's dividend policy and its Normal Course Issuer Bid ("NCIB").

During the first nine months of fiscal 2023, the Company purchased for cancellation 219,369 common shares at an average price of C$5.94 per common share for total consideration of $972. The weighted average carrying value of the shares repurchased exceeded the total cash consideration paid by $826, which was adjusted to deficit.

The Company's dividend policy has been to declare quarterly dividends of C$0.05 per common share. In fiscal 2023, a quarterly dividend of C$0.05 per common share was declared in March and paid on June 15, 2023.

On May 10, 2023, the Company's Board of Directors cancelled the Company's dividend policy such that share repurchases through the NCIB is the Company's vehicle for returning capital to shareholders.

Loss per share

Basic loss per share is calculated by dividing net loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all dilutive potential securities into common shares.

The following is a reconciliation of the numerator and denominator used for the computation of the basic and diluted loss per share amounts:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net loss for the period	(6,901)	(4,410)	(22,130)	(17,169)
Weighted average number of common shares outstanding – basic	32,250,388	32,422,241	32,319,671	32,449,124
Effect of dilutive securities	—	—	—	—
Weighted average number of common shares outstanding – diluted	32,250,388	32,422,241	32,319,671	32,449,124

The calculation of diluted loss per share in the first three quarters of fiscal 2023 excludes 3,401,475 (2022 – 3,046,289) weighted average number of common shares issuable upon the exercise of options because the effect of their issuance would be anti-dilutive.

9. INCOME TAXES

The significant components of the Company's income tax recovery are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Current income tax expense (recovery)	117	105	456	(262)
Deferred income tax expense (recovery) resulting from temporary differences	(541)	(196)	(803)	233
	(424)	(91)	(347)	(29)

The difference between the amount of the income tax recovery and the amount computed by multiplying loss before income taxes by the statutory Canadian, United States and Barbados income tax rates is reconciled as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Loss before income taxes	(7,325)	(4,501)	(22,477)	(17,198)
Tax recovery at Canadian corporate tax rate	(1,955)	(1,202)	(6,001)	(4,592)
Items not included or deducted for income tax purposes	196	145	428	(518)
Income subject to tax in foreign jurisdictions	277	(20)	382	69
Tax losses not recognized	1,058	986	4,844	5,012
	(424)	(91)	(347)	(29)

10. SEGMENTED INFORMATION

The Company is composed of a single reportable segment.

Revenue is generated from the following sources:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Product sales				
Canada	10,153	9,570	28,755	27,500
United States	3,289	3,590	9,680	10,751
	13,442	13,160	38,435	38,251
Royalties	2,595	2,544	8,776	7,541
	16,037	15,704	47,211	45,792

Revenue is generated from the following geographic sources, by location of customer:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Canada	10,190	9,585	28,809	27,579
United States	4,553	5,007	13,875	14,548
Rest of world	1,294	1,112	4,527	3,665
	16,037	15,704	47,211	45,792

11. STOCK-BASED COMPENSATION

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
PSU recovery	(47)	(391)	(505)	(32)
DSU expense (recovery)	14	21	(125)	272
Stock option expense	14	495	693	1,930
	(19)	125	63	2,170

12. FINANCE AND RELATED COSTS, NET

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest expense	2,093	1,627	5,555	4,754
Accreted interest	199	200	580	612
Total interest expense	2,292	1,827	6,135	5,366
Interest income	(98)	(14)	(137)	(32)
Foreign exchange loss (income)	(1)	73	(21)	85
Fair value adjustment on financial assets and liabilities	2,030	(397)	3,151	(2,567)
	4,223	1,489	9,128	2,852

13. OTHER COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Transaction costs	42	69	285	565
Reorganization costs	—	—	1,469	1,340
Impairment charge (note 4)	—	—	2,352	3,051
	42	69	4,106	4,956

Reorganization costs

In the second quarter of fiscal 2023, the Company recorded a charge of $1,469 associated with changes to the leadership of the Company.

Reorganization costs in fiscal 2022 represent amounts paid to the former executive chair of the Company.

14. INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	Nine months ended September 30,	
	2023	**2022**
Accounts receivable	415	664
Inventories	(48)	(1,860)
Income taxes recoverable	102	(167)
Other assets	(146)	(318)
Accounts payable and accrued liabilities	2,370	3,880
Provisions	933	(721)
Income taxes payable	324	(97)
	3,950	1,381

Interest of $5,555 (2022 – $4,754) and income taxes of $30 (2022 – $2) were paid during the nine months ended September 30, 2023.