

CRESCITA THERAPEUTICS INC.
BUSINESS ACQUISITION REPORT
FORM 51-102F4

Item 1 Identity of the Company

1.1 Name and Address of the Company

Name: Crescita Therapeutics Inc. (the “**Corporation**”)

Principal Office:

7560 Airport Road, Unit 10
Mississauga, Ontario
L4T 4H4

1.2 Executive Officer

The following executive officer of the Corporation is knowledgeable about the Acquisition (as defined below) and this report:

Daniel N. Chicoine
Executive Chairman & Interim Chief Executive Officer
(905) 673-4295

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On September 1, 2016, the Corporation entered into a securities purchase agreement (the “**Purchase Agreement**”) with INTEGA Skin Sciences Inc. (“**INTEGA**”), Gregory M.C. Orleski, Bloom Burton Healthcare Lending Trust, Bloom Burton Structured Lending Fund II LP, Knight Therapeutics and the other shareholders of INTEGA (together, the “**Sellers**”) (the “**Acquisition**”). Pursuant to the Purchase Agreement, the Corporation purchased all of the issued and outstanding securities of INTEGA from the Sellers (the “**Transaction**”). INTEGA is a privately held dermatology company based in Montreal which develops, manufactures, sells and markets science-based quality skin care products. INTEGA’s business includes the Valeant Groupe Cosméderme business (the “**Cosméderme Business**”) acquired from Valeant Canada Limited in January of 2016, which includes Laboratoire Dr Renaud, Pro-Derm, and Premiology skincare brands.

2.2 Date of Acquisition

September 1, 2016

2.3 Consideration

Pursuant to the terms of the Purchase Agreement, Crescita paid an aggregate purchase price for 100% of INTEGA's equity of:

- \$8.0 million (subject to adjustments based on INTEGA's working capital and indebtedness as of closing, as well as Crescita's cash balance as of closing) (the "**Base Consideration**"); and
- up to an additional \$2 million, comprised of two potential \$1.0 million payments (together, the "**Milestone Payments**") contingent on INTEGA's financial performance (based on certain enumerated financial metrics) for the balance of 2016 and 2017.

As part of the Transaction, Crescita also issued 457,986 common share purchase warrants in exchange for INTEGA's outstanding warrants, each of which permits the holder thereof to acquire one common share of Crescita at a price of \$2.44 per share. 164,823 of the common share purchase warrants issued will expire on September 1, 2019, and 293,163 will expire on September 1, 2023.

The first \$5.9 million of the Base Consideration was paid at closing through the issuance of 2,402,314 common shares of Crescita ("**Crescita Shares**") at a price of \$2.44 per share, representing approximately 17.3% of the outstanding Crescita Shares post-closing. The balance of the Base Consideration will be paid on a date to be decided by Crescita within 30 days following Crescita's next annual shareholders meeting (the "**Final Payment Date**"), which was held on June 20, 2017 subject to the terms and conditions of the Purchase Agreement.

Crescita will pay the balance of the Base Consideration through the issuance of up to 713,214 Crescita Shares at a price of \$2.44 per share. The previous amount owing of 879,719 Crescita Shares was reduced pursuant to an adjustment clause in the Purchase Agreement related to variances in working-capital balances on closing.

In accordance with the terms and conditions of the Purchase Agreement, it has been determined that no Milestone Payment was payable for 2016.

2.4 **Effect on Financial Position**

The effect of the Acquisition on the assets and operations of the Corporation are set out in the unaudited pro forma consolidated financial statements of the Corporation attached hereto as Appendix C. The unaudited pro forma consolidated financial statements of the Corporation are presented for illustrative purposes only and are not necessary indicative of (i) the operating or financial results that would have occurred had the Acquisition actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements or (ii) results expected in future periods.

The Corporation presently has no plans for material changes in the business or affairs of INTEGA that may have a significant effect on the financial performance or financial position of the Corporation.

2.5 **Prior Valuations**

Not applicable.

2.6 Parties to Transaction

Each of the Sellers was arm's length to the Corporation. The Acquisition did not involve an informed person, associate, or affiliate of the Corporation as defined under National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102"). As a result of the Transaction, on closing Knight Therapeutics Inc. increased its shareholdings in the Corporation from 7.6% to 10.9% such that it is now considered an informed person and associate under NI 51-102.

2.7 Date of Report

June 21, 2017

Item 3 Financial Statements

Pursuant to Part 13 of NI 51-102 and Part 8 of National Instrument 44-101 – *Short Form Prospectus Distributions*, the Ontario Securities Commission granted an exemption on February 16, 2017 (the "**Exemptive Relief Decision**") from the requirements to provide certain financial statements as set out in Sections 8.4 of NI 51-102. In accordance with the Exemptive Relief Decision, the following financial statements and related notes thereto are attached hereto and form a part of this report:

1. The audited statement of financial position, statement of comprehensive loss, statement of changes in deficiency and statement of cash flows as at and for the year ended December 31, 2015 are attached as **Appendix A**.
2. The unaudited statement of financial position, statement of comprehensive loss, statement of changes in deficiency and statement of cash flows as at and for the year ended December 31, 2014 are attached as **Appendix A**.
3. The audited statement of financial position, statement of comprehensive loss, statements of changes in deficiency and statements of cash flows as at and for the eight months ended August 31, 2016 are attached as **Appendix B**.
4. The unaudited pro forma statement of loss and comprehensive loss of Crescita that gives effect to the Transaction as if it had taken place on January 1, 2016 for the nine month period ended September 30, 2016 and pro forma earnings per share based on the statement is attached as **Appendix C**.

APPENDIX A

(See attached.)

Intega Skin Sciences Inc.

**Financial Statements
December 31, 2015**

Intega Skin Sciences Inc.

**Financial Statements
December 31, 2015**

Table of Contents

Independent Auditor's Report	1
Review Engagement Report	2
Statement of Financial Position	3
Statement of Changes in Deficiency	4
Statement of Comprehensive Loss	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 25

RICHTER

Independent Auditor's Report

To the Shareholders of
Intega Skin Sciences Inc.

We have audited the accompanying financial statements of Intega Skin Sciences Inc., which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive loss, changes in deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Intega Skin Sciences Inc. as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The balance sheet as at December 31, 2014, and the statements of operations, deficit and cash flows for the year then ended are unaudited and was reviewed by us.

Richter LLP

Montréal, Quebec
February 7, 2017

¹CPA auditor, CA, public accountancy permit No. A125137

T.514.934.3400

Richter S.E.N.C.R.L./LLP
1981 McGill College
Mtl (QC) H3A 0G6
www.richter.ca

Montréal, Toronto



RICHTER

Review Engagement Report

To the Shareholders of
Intega Skin Sciences Inc.

We have reviewed the balance sheet of Intega Skin Sciences Inc., as at December 31, 2014 and the statement of earnings, retained earnings and cash flow for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with International financial Reporting Standards.

Richter LLP

Montréal, Québec
February 7, 2017

¹CPA auditor, CA, public accountancy permit No. A125137

T.514.934.3400

Richter S.E.N.C.R.L./LLP
1981 McGill College
Mtl (QC) H3A 0G6
www.richter.ca

Montréal, Toronto



Intega Skin Sciences Inc.

Statement of Financial Position As at December 31, 2015

	2015	2014 (Unaudited)
	\$	\$
Assets		
Current		
Cash	121,490	100
Term deposit (note 4)	250,000	-
Government remittances receivable	89,561	5,189
Inventory	22,591	-
Prepaid expenses	721	-
	484,363	5,289
Equipment	20,147	-
	504,510	5,289
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	322,649	-
Advances to a shareholder (note 7)	-	55,492
	322,649	55,492
Convertible debenture (note 8)	882,253	-
Deferred tax liability (note 11)	56,057	-
	1,260,959	55,492
Commitment (note 9)		
Shareholders' deficiency		
Capital stock (note 10)	450,001	100
Contributed surplus	166,078	-
Deficit	(1,372,528)	(50,303)
	(756,449)	(50,203)
	504,510	5,289

See accompanying notes

Approved on behalf of the board


_____, Director

Intega Skin Sciences Inc.

Statement of Changes in Deficiency For the Year Ended December 31, 2015

	2015				
	Common shares (note 10)		Contributed surplus	Deficit	Total Deficit
	Number	Amount \$			
Opening - January 1, 2015	100	100	-	(50,303)	(50,203)
Issuance of capital stock	4,900,001	449,901	-	-	449,901
Fair value of conversion option, net of deferred income taxes of \$61,115	-	-	166,078	-	166,078
Comprehensive loss	-	-	-	(1,322,225)	(1,322,225)
Deficiency - December 31, 2015	4,900,101	450,001	166,078	(1,372,528)	(756,449)

	2014				
	Common shares (note 10)		Contributed surplus	Deficit	Total Deficit
	Number	Amount \$			
Opening - January 1, 2014	100	100	-	-	100
Issuance of capital stock	-	-	-	-	-
Comprehensive loss	-	-	-	(50,303)	(50,303)
Deficiency - December 31, 2014	100	100	-	(50,303)	(50,203)

See accompanying notes

Intega Skin Sciences Inc.

Statement of Comprehensive Loss For the Year Ended December 31, 2015

	2015	2014
	\$	(Unaudited) \$
Revenue	-	-
Cost of sales		
Inventory - beginning of year	-	-
Purchases	73,664	-
Freight and duties	7,122	-
	80,786	-
Inventory - end of year	22,591	-
	58,195	-
Expenses		
Selling (note 3)	405,827	38,507
General and administrative (note 3)	756,790	11,796
Financial (note 3)	106,471	-
	1,269,088	50,303
Loss before income taxes	(1,327,283)	(50,303)
Income taxes		
Deferred income taxes (note 11)	(5,058)	-
Comprehensive loss for the year	(1,322,225)	(50,303)

See accompanying notes

Intega Skin Sciences Inc.

Statement of Cash Flows For the Year Ended December 31, 2015

	2015	2014
	\$	(Unaudited) \$
Operating activities		
Net loss	(1,322,225)	(50,303)
Depreciation of equipment	4,030	-
Deferred tax liability	(5,058)	-
Interest accretion	109,446	-
	(1,213,807)	(50,303)
Net change in non-cash working capital items	(35,035)	(5,189)
	(1,248,842)	(55,492)
Investing activity		
Acquisition of equipment	(24,177)	-
Financing activities		
Advances payable to a shareholder	-	55,492
Convertible debenture	1,000,000	-
Issuance of capital stock (note 10)	394,409	100
	1,394,409	55,592
Increase in cash	121,390	100
Cash - beginning of year	100	-
Cash - end of year	121,490	100

See accompanying notes

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

1. Nature of business and basis of presentation

The Company was incorporated under the Canadian Business Corporations Act on August 16, 2013, under the name of 8609896 Canada Inc. On May 1, 2014, the Company changed its name from 8609896 Canada Inc. to Intega Skin Sciences Inc. During the year, the Company was in the process of acquiring other companies in the pharmaceutical skincare industry. The Company's head office address is 2805 Place Louis-R.-Renaud, Laval, Québec, H7V 0A3.

Basis of presentation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (the "IFRS").

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the estimated useful lives of long-lived assets, income taxes, the measurement of the convertible debentures and inventory measurement.

a) Reserve for inventory obsolescence

The Company values inventories at the lower of cost or net realizable value. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company under producing popular items or overproducing less popular items.

Furthermore, significant changes in demand for the Company's products would impact management estimates in establishing its inventory provision.

Management estimates are monitored on an annual basis and a further adjustment to reduce inventory to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary under the lower of cost or net realizable value.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

1. Nature of business and basis of presentation (continued)

b) Income taxes

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are recognized in the statement of financial position to account for the deferred tax consequences attributable to temporary differences between the respective accounting and taxable value of balance sheet assets and liabilities. Deferred income tax assets and income tax liabilities are measured using the income tax rates that are most likely to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the year during which these rates change. As appropriate, a valuation allowance is recognized to decrease the value of tax assets to an amount that is more likely than not to be realized. In estimating the realization of deferred income tax assets, management considers whether a portion or all deferred tax assets are more likely than not to be realized. Realization is subject to future taxable income.

c) Impairment of assets with definite useful lives

Assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated. Factors such as changes in the planned use of production unit, laboratory equipment, or the presence or absence of technical obsolescence could result in shortened useful lives or impairment. An impairment loss is recognized, if any, for the amount by which the asset's carrying amount exceeds its recoverable amount. There recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. As of December 31, 2015 and December 31, 2014, management determined that there was no need for impairment.

d) Convertible debenture

The Company has issued, and in the future may issue, compound financial instruments comprising both financial liability and equity components. The financial liability component is initially recognized at the fair value of a similar liability. The proceeds are then allocated between the financial liability component. To do so, management determines the expected cash outflows that market participants would expect to incur in fulfilling the respective obligations. Then, management estimates a market interest rate based on interest rates for a similar financial liability that does not have an equity conversion option. This market interest rate is used to discount the financial liability component. Actual cash outflows and interest rates may be different from estimates and may have an impact on the allocation of the proceeds to the financial liability and equity components.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies

Financial assets and financial liabilities

Financial assets and financial liabilities at fair value through profit and loss are initially recorded at fair value with transaction cost immediately recognized in the statement of comprehensive loss. All other financial assets and liabilities are initially recorded at fair value plus or minus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as a financial asset at fair value through profit and loss.

Financial assets

Held-to-maturity investment

Securities that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method less any impairment, with revenue recognized on an effective yield basis. Term deposit were classified as held-to-maturity on December 31, 2015 and December 31, 2014.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Financial assets (continued)

At fair value through profit or loss (FVTPL)

Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or meet the conditions for designation in this category at initial recognition. Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned, and are recognized in profit or loss. No assets were classified as FVTPL on December 31, 2015 and December 31, 2014.

Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in the return for a promise to repay on a specific date or on demand usually with interest with fixed or determinable payments that are not quoted in an active market. Loans and receivables are accounted for at amortized cost using the effective interest method less any impairment. Cash and government remittances receivable were classified as loans and receivables on December 31, 2015 and December 31, 2014.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between that asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Financial assets (continued)

With the exception of available for sale (AFS) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Held-for-trading at FVTPL

Financial liabilities classified in this category include derivative liabilities that are not accounted for as hedging instruments, obligations to deliver financial assets borrowed by a short seller and financial liabilities that are part of a portfolio of identified financial instruments that are managed together with the intention of generating profits in the near term. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held-for-trading. These instruments are accounted for at fair value with the change in the fair value recognized in profit or loss during the year. No financial liabilities were classified as held for trading on December 31, 2015 and December 31, 2014.

Other financial liabilities

All other financial liabilities, which have not been classified in the previous category fall into this residual category. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently accounted for at amortized cost using the effective interest method. Accounts payables and accrued liabilities, loan from shareholders were classified as other liabilities on December 31, 2015 and December 31, 2014.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data or valuation techniques applicable to the Company.

Fair value estimates are made as of a specific point in time, using available information about the assets and liabilities. These estimates are subjective in nature and may not be determined with precision.

Fair value hierarchy

For the Company's assets and liabilities which are recognized in the statement of financial position at fair value, the inputs used in measuring fair values are classified in the following levels in the fair value hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates their value because of the relatively short periods to maturity of these instruments.

As at December 31, 2015 and December 31, 2014, the Company does not have non-financial assets and liabilities measured at fair value.

Compound instruments

The component parts of compound instruments (convertible debentures) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The liability portion is classified as other financial liabilities, which are measured at amortized cost. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Compound instruments (continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to contributed surplus. Where the conversion option remains unexercised at the maturity date of the convertible debenture, the balance recognized in equity will be transferred to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debentures using the effective interest method. The carrying value of convertible debentures approximates their fair value as the debentures bear interest at rates comparable to current market rates.

Inventory

Inventories are valued at the lower of purchase or manufacturing cost, generally determined on a weighted average cost basis, and their market or net realizable value.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

	Methods	Rates
Furniture and fixtures	Declining balance method	20%
Computer equipment	Declining balance method	55%

Useful lives, residual values and depreciation methods are reviewed annually. Accelerated depreciation is provided when the useful life of the asset becomes shorter than that initially expected.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Using the liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base with the exception of goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets are recognized only to the extent that the Company consider that it is probable that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are only offset when they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in statement of comprehensive loss, except when they relate to items that are recognized outside comprehensive loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside comprehensive loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Revenue recognition

The Company recognizes revenues when services are provided to customers, there is clear proof that an arrangement exists, amounts are fixed or can be determined and collectibility is reasonably assured.

Impairment of tangible and finite-lives intangible assets

In accordance with IAS 36 – Impairment of Assets, equipments are subject to impairment testing.

The carrying amount of such assets is reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down through the statement of comprehensive loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal the individual asset or the cash generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the net present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit whose impairment is being measured.

Impairment losses for cash generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to the statement of comprehensive loss to the extent that they reverse the impairment.

Provisions and contingent liabilities and contingent assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are deducted from the initial measurement of the common share.

Recently issued pronouncements

a) Disclosure Initiative – Amendments to IAS 1

The IASB issued Amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2016. Early application is permitted. The Company will apply these amendments in fiscal 2016, where applicable.

b) IFRS 9, Financial instruments

The IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The IASB added to IFRS 9 impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit.

An entity shall apply this standard retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Management does not expect that the implementation of IFRS 9 will have an impact on the manner in which investments are measured.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

c) IFRS 15, Revenues from Contracts with Customers

The FASB and IASB (the Boards) have issued converged standards on revenue recognition. This new IFRS affects any entity using IFRS that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation.

An entity shall apply this Standard for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. As of the date of these financial statements, the IASB has proposed delaying the effective date of this standard by one year. The Company is currently evaluating the impact of adopting this new standard.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

2. Summary of significant accounting policies (continued)

d) IASB issues new leasing standard – IFRS 16: Leases

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Less or accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (where as operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

3. Analysis of expenses by nature

The following table illustrates the breakdown by nature of cost of sales, selling, general and administrative and financial expenses.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

3. Analysis of expenses by nature (continued)

	December 31, 2015	December 31, 2014 (Unaudited)
	\$	\$
Cost of sales		
Cost of inventories		
Purchases	73,664	
Freight and duties	7,122	-
	80,786	-
Selling		
Selling salaries and benefits	120,376	-
Advertising and promotion	3,684	-
Telecommunication	2,338	-
Travel and entertainment	13,291	-
Professional fees	167,040	-
Conference	53,992	-
Automobiles	7,476	-
Distribution fees and expenses	5,200	-
Regulatory fees	32,430	38,507
	405,827	38,507
General and administrative		
Salaries and benefits	282,183	-
Rent	17,452	-
Building security	187	-
Insurance	1,914	-
Taxes and licenses	256	-
Professional fees	345,672	1,194
Travel and entertainment	23,471	9,242
Advertising and promotion	13,930	-
Telecommunication	6,798	-
Office and general	10,283	-
Site web	15,789	-
Automobiles	21,399	-
Meals and entertainment	6,688	-
Miscellaneous	6,738	1,360
Depreciation	4,030	-
	756,790	11,796
Financial		
Interest and bank charges	174	-
Interest on long-term debt	109,446	-
Interest income	(3,149)	-
	106,471	-

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

4. Term deposit

The term deposit bears interest at 1% and matures on January 21, 2016.

5. Equipment

	Furniture and fixtures \$	Computer equipment \$	Total \$
2015			
Cost			
At January 1, 2015	-	-	-
Additions	14,964	9,213	24,177
Disposal	-	-	-
At December 31, 2015	14,964	9,213	24,177
Depreciation			
At January 1, 2015	-	-	-
Depreciation for the year	1,496	2,534	4,030
Write-off	-	-	-
At December 31, 2015	1,496	2,534	4,030
Net book value			
At January 1, 2015	-	-	-
At December 31, 2015	13,468	6,679	20,147

6. Accounts payable and accrued liabilities

	2015 \$	2014 (Unaudited) \$
Accounts payable and accrued liabilities	292,918	-
Salaries and vacation payable	29,731	-
	322,649	-

7. Advances to a shareholder

The advances payable to a shareholder bears no interest and is due on demand. On April 7, 2015, the advances was converted into 55,495 common shares (note 10).

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

8. Convertible debenture

On April 9, 2015, the Company issued unsecured convertible debentures having a face value of \$1,000,000 bearing interest at 13% per annum with a maturity four years from the date of issue. The capital and accrued interest can be converted into common shares of the Corporation, any time at the option of the holder at a price of \$1.00 per common share.

At the time of issuance, the fair value of the liability component was determined to be \$772,807 and the residual of \$227,193 related to the conversion options was allocated to contributed surplus. The effective interest rate used to measure the fair value of the liability component on initial recognition was deemed to be 20% per annum.

As at December 31, 2015, none of the debentures have been converted.

9. Commitment

The commitment of the Company under a lease agreement aggregate to \$77,000. The minimum annual payments are approximately as follows:

	\$
2016	23,000
2017	23,000
2018	23,000
2019	8,000

10. Capital stock

Authorized without limit as to number and without par value -

	2015	2014
	\$	\$
Issued -		
4,900,101 (2014 - 100) Class "A" common shares	450,001	100

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

10. Capital stock (continued)

On August 16, 2013, the Company issued 100 Class "A" common shares for a cash consideration of \$100.

On April 7, 2015, the Company issued 4,900,001 Class "A" common shares as repayment of an advance payable to a shareholder of \$200,001 and cash consideration of \$250,000.

11. Income taxes

Tax expenses comprises:

	December 31, 2015	December 31, 2014 (Unaudited)
	\$	\$
Deferred tax expense	(5,058)	-
Total tax expense	(5,058)	-

Current tax expense

Income taxes reported differ from the amount computed by applying the statutory rates to the net loss. The reasons are as follows:

	December 31, 2015	December 31, 2014 (Unaudited)
	\$	\$
Comprehensive loss	(1,327,283)	(50,303)
Income tax expenses (recovery) calculated at 26.90%	(357,039)	(13,532)
Effect of expenses that are not deductible in determining taxable profit	46,291	-
Change in valuation allowance	310,748	13,532

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

11. Income taxes (continued)

Deferred tax balances

	Opening balance	Recognized in equity	Recognized in profit (loss)	Closing balance
2015	\$	\$	\$	\$
Temporary differences				
Convertible debentures	-	(61,115)	5,058	(56,057)
	-	(61,115)	5,058	(56,057)
Unused tax losses and credits				
Tax losses	13,531	-	310,748	324,279
Unrecognized deferred tax assets	(13,531)		(310,748)	(324,279)
	-	(61,115)	5,058	(56,057)

	Opening balance	Recognized in equity	Recognized in profit (loss)	Closing balance
2014	\$	\$	\$	\$
Unused tax losses and credits				
Tax losses	-	-	13,531	13,531
Unrecognized deferred tax assets	-	-	(13,531)	(13,531)
	-	-	-	-

The Company can carry forward losses totaling \$1,116,839 at the Federal level and \$1,095,461 at the Provincial level for income tax purposes. The expiration dates for using these losses to reduce income taxes are as follows:

	Federal \$	Provincial \$
2033	1,803	1,803
2034	48,499	48,499
2035	1,066,537	1,045,159
	1,116,839	1,095,461

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

12. Key management compensation

The remuneration of directors and other members of key management personnel, which is defined as the president and chief financial officer during the year was as follows:

	2015	2014 (Unaudited)
	\$	\$
Wages, salaries and short-term benefits and bonuses	219,351	-

13. Financial instruments

Risks arising from financial instruments and risk management

The Company is exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including foreign exchange and interest rate). The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Interest rate risk

The Company is exposed to cashflow interest rate risk on its credit facilities which bear interest at variable rates. A one percentage point increase (decrease) in interest rates would have increased (decreased) the net and comprehensive loss by approximately \$7,000 in the year, with all other variables held constant.

Credit risk

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends and economic circumstances (note 4). The Company is exposed to credit risk in the event of non-payment by certain customers of their accounts receivable.

Details of the Company's gross trade receivables at December 31, 2015 and 2014 were government remittances receivable should be collected within three to six months.

Intega Skin Sciences Inc.

Notes to Financial Statements December 31, 2015

13. Financial instruments (continued)

Liquidity risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company's financial liabilities consist of a line of credit, term loan, trade payables and other payables which are due within one year of the balance sheet date and finance leases.

The ability of the Company to realize its assets in the normal course of operations and to pay its liabilities as they come due is dependent upon the success of future operations, and the continued financial support of a company under common control.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities, excluding any fees in reduction, based upon undiscounted cash flows with agreed repayment periods.

December 31, 2015	On demand \$	1-3 years \$	4-5 years \$	> 5 years \$	Total \$
Accounts payable and accrued liabilities	322,649	-	-	-	322,649
Convertible debentures	-	218,065	1,418,530	-	1,636,595

14. Subsequent event

Effective on January 22, 2016, the Company acquired all of the outstanding shares of Valeant Groupe Cosméderme Inc., a corporation which operates a manufacturing and distribution of skincare products in a facility located in Laval, Québec, for a total aggregate purchase price of \$11,000,000, including \$9,000,000 payable at closing and a \$2,000,000 balance of purchase price payable in two equal and consecutive instalments of \$1,000,000 each on the first and second anniversaries of the transaction.

15. Financial statements approval

The financial statements were approved by the board of directors and authorized for issue on February 7, 2017.

APPENDIX B

(See attached.)

Intega Skin Sciences Inc.

**Financial Statements
August 31, 2016 and December 31, 2015**

Intega Skin Sciences Inc.

Financial Statements August 31, 2016 and December 31, 2015

Table of Contents

Independent Auditor's Report	1
Statement of Financial Position	2
Statements of Changes in Deficiency	3
Statement of Comprehensive Loss	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 34

RICHTER

Independent Auditor's Report

To the Shareholders of
Intega Skin Sciences Inc.

We have audited the accompanying financial statements of Intega Skin Sciences Inc., which comprise the statements of financial position as at August 31, 2016 and December 31, 2015, and the statements of comprehensive loss, changes in deficiency and cash flows for the eight-month period ended August 31, 2016 and for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

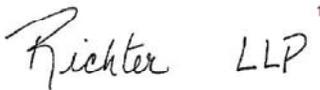
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Intega Skin Sciences Inc. as at August 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the eight-month period ended August 31, 2016 and for the year ended December 31, 2015 in accordance with International Financial Reporting Standards.



Montréal, Quebec
June 20, 2017

¹CPA auditor, CA, public accountancy permit No. A125137

T.514.934.3400

Richter S.E.N.C.R.L./LLP
1981 McGill College
Mtl (QC) H3A 0G6
www.richter.ca

Montréal, Toronto



Intega Skin Sciences Inc.

Statement of Financial Position As at August 31, 2016 and December 31, 2015

	August 31, 2016 \$	December 31, 2015 \$
Assets		
Current		
Cash	316,174	121,490
Term deposit	-	250,000
Accounts receivable (note 5)	976,086	89,561
Inventories (note 6)	2,387,050	22,591
Prepaid expenses	100,501	721
	3,779,811	484,363
Equipment (note 7)	731,373	20,147
Amortized intangible assets (note 8)	6,118,740	-
Goodwill	1,696,444	-
	8,546,557	20,147
	12,326,368	504,510
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	3,178,653	322,649
Current portion of promissory note payable (note 10)	1,000,000	-
Advance payable	60,000	-
Current portion of long-term debt (note 11)	3,341,256	-
	7,579,909	322,649
Promissory note payable (note 10)	909,000	-
Long-term debt (note 11)	6,104,351	-
Convertible debentures (note 12)	1,612,329	882,253
Retractable preferred shares in liabilities (note 13)	753,992	-
Deferred tax liability (note 16)	-	56,057
	9,379,672	938,310
	16,959,581	1,260,959
Commitment (note 14)		
Shareholders' deficiency		
Capital stock (note 15)	567,501	450,001
Contributed surplus	455,094	166,078
Deficit	(5,655,808)	(1,372,528)
	(4,633,213)	(756,449)
	12,326,368	504,510

See accompanying notes

Approved on behalf of the board


_____, Director

Intega Skin Sciences Inc.

Statements of Changes in Deficiency For the Periods Ended August 31, 2016 and December 31, 2015

	2016				
	Common shares (note 15)				
	Number	Amount \$	Contributed surplus \$	Deficit \$	Total deficit \$
Opening - January 1, 2016	4,900,001	450,001	166,078	(1,372,528)	(756,449)
Issuance of capital stock (note 15)	1,088,976	117,500	-	-	117,500
Fair value of conversion option, net of deferred income taxes of \$106,355	-	-	289,016	-	289,016
Comprehensive loss	-	-	-	(4,283,280)	(4,283,280)
Deficiency - August 31, 2016	5,988,977	567,501	455,094	(5,655,808)	(4,633,213)

	2015				
	Common shares (note 15)				
	Number	Amount \$	Contributed surplus \$	Deficit \$	Total deficit \$
Opening - January 1, 2015	100	100	-	(50,303)	(50,203)
Issuance of capital stock (note 15)	4,900,001	449,901	-	-	449,901
Fair value of conversion option, net of deferred income taxes of \$61,115	-	-	166,078	-	166,078
Comprehensive loss	-	-	-	(1,322,225)	(1,322,225)
Deficiency - December 31, 2015	4,900,101	450,001	166,078	(1,372,528)	(756,449)

See accompanying notes

Intega Skin Sciences Inc.

Statement of Comprehensive Loss For the Periods Ended August 31, 2016 and December 31, 2015

	August 31, 2016 (8 months) \$	December 31, 2015 (12 months) \$
Revenue	5,446,546	-
Expenses		
Cost of goods sold	5,156,592	58,195
Research and development (note 3)	254,027	-
Selling, general and administrative (note 3)	4,367,513	1,162,617
Interest expense (note 3)	1,265,005	106,471
	11,043,137	1,327,283
Loss from operations	(5,596,591)	(1,327,283)
Foreign currency loss	(12,162)	-
Loss before income taxes	(5,608,753)	(1,327,283)
Income taxes		
Deferred income taxes (note 16)	(1,325,473)	(5,058)
Comprehensive loss for the year	(4,283,280)	(1,322,225)

See accompanying notes

Intega Skin Sciences Inc.

Statements of Cash Flows

For the Periods Ended August 31, 2016 and December 31, 2015

	August 31, 2016 (8 months) \$	December 31, 2015 (12 months) \$
Operating activities		
Net loss	(4,283,280)	(1,322,225)
Depreciation of equipment	85,342	4,030
Depreciation of intangible assets	396,260	-
Amortization of fair value adjustment on inventories	1,030,000	-
Deferred income taxes	(1,325,473)	(5,058)
Interest accretion	261,053	109,446
Fair value adjustment on promissory note payable	164,000	-
Amortization of deferred financing fees	49,444	-
	(3,622,654)	(1,213,807)
Net change in non-cash working capital items (note 22)	1,840,406	214,965
	(1,782,248)	(998,842)
Investing activities		
Term deposit	250,000	(250,000)
Acquisition of equipment	(400,568)	(24,177)
Business acquisition, net of cash received (note 4)	(8,625,000)	-
	(8,775,568)	(274,177)
Financing activities		
Long-term borrowings	9,360,000	-
Convertible debenture	1,046,008	1,000,000
Advances payable	60,000	-
Issuance of retractable preferred shares in liabilities (note 13)	753,992	-
Issuance of capital stock (note 15)	117,500	394,409
Deferred financing fees	(585,000)	-
	10,752,500	1,394,409
Increase in cash	194,684	121,390
Cash - beginning of year	121,490	100
Cash - end of year	316,174	121,490

See accompanying notes

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

1. Nature of business and basis of presentation

The Company, a private Montreal-based dermatology company which develops, manufactures, sells and markets science-based quality skin care products, was incorporated under the Canadian Business Corporations Act on August 16, 2013, under the name of 8609896 Canada Inc. On May 1, 2014, the Company changed its name from 8609896 Canada Inc. to Intega Skin Sciences Inc. The Company's head office address is 2805 Place Louis-R.-Renaud, Laval, Québec, H7V 0A3.

Basis of presentation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (the "IFRS").

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the estimated useful lives of long-lived assets, income taxes, the measurement of the convertible debentures and inventories measurement.

a) Reserve for inventories obsolescence

The Company values inventories at the lower of cost or net realizable value. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventories is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company under producing popular items or overproducing less popular items.

Furthermore, significant changes in demand for the Company's products would impact management estimates in establishing its inventories provision.

Management estimates are monitored on an annual basis and a further adjustment to reduce inventories to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary under the lower of cost or net realizable value.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

1. Nature of business and basis of presentation (continued)

b) Income taxes

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are recognized in the statement of financial position to account for the deferred tax consequences attributable to temporary differences between the respective accounting and taxable value of balance sheet assets and liabilities. Deferred income tax assets and income tax liabilities are measured using the income tax rates that are most likely to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the year during which these rates change. As appropriate, a valuation allowance is recognized to decrease the value of tax assets to an amount that is more likely than not to be realized. In estimating the realization of deferred income tax assets, management considers whether a portion or all deferred tax assets are more likely than not to be realized. Realization is subject to future taxable income.

c) Impairment of assets with definite useful lives

Assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated. Factors such as changes in the planned use of production unit, laboratory equipment, or the presence or absence of technical obsolescence could result in shortened useful lives or impairment. An impairment loss is recognized, if any, for the amount by which the asset's carrying amount exceeds its recoverable amount. There recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. As of August 31, 2016 and December 31, 2015, management determined that there was no need for impairment.

d) Convertible debenture

The Company has issued, and in the future may issue, compound financial instruments comprising both financial liability and equity components. The financial liability component is initially recognized at the fair value of a similar liability. The proceeds are then allocated between the financial liability component. To do so, management determines the expected cash outflows that market participants would expect to incur in fulfilling the respective obligations. Then, management estimates a market interest rate based on interest rates for a similar financial liability that does not have an equity conversion option. This market interest rate is used to discount the financial liability component. Actual cash outflows and interest rates may be different from estimates and may have an impact on the allocation of the proceeds to the financial liability and equity components.

e) Purchase price allocation and intangibles

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligations due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

1. Nature of business and basis of presentation (continued)

For the acquisition of Valeant Groupe Cosmédérme Inc. the estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3% was applied to derive a terminal value beyond the initial 5-year period. The discount rate used to calculate the fair value of the business was 18%.

2. Summary of significant accounting policies

Revenue recognition

Revenue from product sales is recognized upon shipment of the product to the customer, provided transfer of title to the customer occurs upon shipment and provided the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped, the price is fixed and determinable and collection is reasonably assured. Where applicable, revenue from product sales is recognized net of reserves for estimated sales discounts and allowances, returns, rebates and chargebacks.

Financial assets and financial liabilities

Financial assets and financial liabilities at fair value through profit and loss are initially recorded at fair value with transaction cost immediately recognized in the statement of comprehensive loss. All other financial assets and liabilities are initially recorded at fair value plus or minus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in the return for a promise to repay on a specific date or on demand usually with interest with fixed or determinable payments that are not quoted in an active market. Loans and receivables are accounted for at amortized cost using the effective interest method less any impairment. Cash, accounts receivable and government remittances receivable were classified as loans and receivables on August 31, 2016.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between that asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale (AFS) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Financial assets (continued)

Financial liabilities

Held-for-trading at FVTPL

Financial liabilities classified in this category include derivative liabilities that are not accounted for as hedging instruments, obligations to deliver financial assets borrowed by a short seller and financial liabilities that are part of a portfolio of identified financial instruments that are managed together with the intention of generating profits in the near term. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held-for-trading. These instruments are accounted for at fair value with the change in the fair value recognized in profit or loss during the year. No financial liabilities were classified as held for trading on August 31, 2016.

Other financial liabilities

All other financial liabilities, which have not been classified in the previous category fall into this residual category. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently accounted for at amortized cost using the effective interest method. Accounts payables and accrued liabilities, advance payable, promissory note payable, long-term debt, convertible debentures and retractable preferred shares were classified as other liabilities on August 31, 2016.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as a financial asset at fair value through profit and loss.

Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data or valuation techniques applicable to the Company.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Determination of fair value (continued)

Fair value estimates are made as of a specific point in time, using available information about the assets and liabilities. These estimates are subjective in nature and may not be determined with precision.

Fair value hierarchy

For the Company's assets and liabilities which are recognized in the statement of financial position at fair value, the inputs used in measuring fair values are classified in the following levels in the fair value hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates their value because of the relatively short periods to maturity of these instruments.

As at August 31, 2016, the Company does not have non-financial assets and liabilities measured at fair value.

Compound instruments

The component parts of compound instruments (convertible debentures) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The liability portion is classified as other financial liabilities, which are measured at amortized cost. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Compound instruments (continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to contributed surplus. Where the conversion option remains unexercised at the maturity date of the convertible debenture, the balance recognized in equity will be transferred to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debentures using the effective interest method. The carrying value of convertible debentures approximates their fair value as the debentures bear interest at rates comparable to current market rates.

Business Combination

The Company applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by IFRS 3 Business Combinations).

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company.

Acquisition-related costs (eg. finder's fees, consulting fees, administrative costs, etc.) are recognized as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Company's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Cash

Cash and cash equivalents comprise cash in hand that is readily convertible to a known amount of cash and is subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash includes bank overdrafts repayable on demand. Since the characteristics of such banking arrangements are that the bank balance often fluctuates from being positive to overdrawn, they are considered an integral part of the Company's cash management.

Inventories

Inventories are valued at the lower of purchase or manufacturing cost, generally determined on a weighted average cost basis, and their market or net realizable value.

Inventories include raw materials, work-in-process and finished goods. Raw materials are stated at the lower of cost and replacement cost with cost determined on a first-in, first-out basis. Manufactured inventories (finished goods and work-in-process) is valued at the lower of cost and net realizable value determined on a first-in, first-out basis. Manufactured inventories cost includes the cost of raw materials, direct labour, an allocation of overhead and the cost to acquire finished goods. The Company monitors the shelf life and expiry of finished goods to determine when inventories values are not recoverable and a write-down is necessary.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

	Methods	Periods
Furniture and fixtures	Straight-line method	5 years
Computer equipment	Straight-line method	3 years
Machinery and equipment	Straight-line method	5 years
Leasehold improvements	Straight-line method	over the lease term

Useful lives, residual values and depreciation methods are reviewed annually. Accelerated depreciation is provided when the useful life of the asset becomes shorter than that initially expected.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Impairment of tangible and finite-lives intangible assets

In accordance with IAS 36 – Impairment of Assets, equipment and amortized intangible assets are subject to impairment testing.

The carrying amount of such assets is reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down through the statement of comprehensive loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the net present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit whose impairment is being measured.

Impairment losses for cash generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to the statement of comprehensive loss to the extent that they reverse the impairment.

Amortized intangible assets

Amortized intangible assets is accounted for at cost. Amortization is calculated on their respective estimated useful life using the following methods and periods:

	Methods	Periods
Trade names	Straight-line method	10 years
Customer relationships	Straight-line method	10 years
Formulations	Straight-line method	10 years

Goodwill

Goodwill arising in a business combination is initially measured at its cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Impairment of goodwill and of intangible assets with an indefinite useful life

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Using the liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base with the exception of goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets are recognized only to the extent that the Company consider that it is probable that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are only offset when they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the statement of comprehensive loss, except when they relate to items that are recognized outside comprehensive loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside comprehensive loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Retractable preferred shares

The retractable preferred shares issued as part of a tax planning arrangement are presented as a separate line item in shareholders' deficiency.

Other retractable preferred shares are presented as a liability at the retraction value.

Lease

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Foreign currency translation

The functional currency of the Company's operations is the Canadian dollar. Transactions denominated in a currency other than the functional currency of the Company are translated at exchange rates prevailing at the time the transaction occurred. The resulting exchange gains and losses are included in net loss in the period in which they arise.

Accounts receivable

Accounts receivable are recognized and measured at face value minus accruals for non-recoverable amounts.

Doubtful debts are estimated when it is likely that the entire amount of receivable will not be recovered. Non-recoverable receivables are recognized in comprehensive loss when they are identified as such.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Provisions and contingent liabilities and assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are deducted from the initial measurement of the common share.

Preferred shares

These are classified as liabilities in accordance with their substance rather than their legal form. Preferred shares represent financial liabilities classified in the "other liabilities" category and are therefore carried at amortized cost. Dividends on preferred shares are classified as an interest expense.

Recently issued pronouncements

a) IFRS 9, Financial instruments

The IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The IASB added to IFRS 9 impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Recently issued pronouncements (continued)

An entity shall apply this standard retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

b) Clarification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16 and IAS 38

During the year, the Company adopted amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of these amendments did not have a significant impact on the financial position of the Company.

c) Disclosure Initiative – Amendments to IAS 1

During the year, the Company adopted Amendments to IAS 1, Presentation of Financial Statements, as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Early application is permitted.

The adoption of these amendments did not have a significant impact on the financial position of the Company.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

d) IFRS 15, Revenues from Contracts with Customers

The FASB and IASB (the Boards) have issued converged standards on revenue recognition. This new IFRS affects any entity using IFRS that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

An entity shall apply this Standard for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently evaluating the impact of adopting this new standard.

e) IFRS 16, Leases

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that Rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

2. Summary of significant accounting policies (continued)

Recently issued pronouncements (continued)

IFRS 16 supersedes IAS 17 Leases and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 "Revenue from contracts with customers" has also been applied. The Company is currently evaluating the impact of adopting this new standard.

3. Analysis of expenses by nature

The statement of comprehensive loss include the following expenses by nature:

a) Employee costs from continuing operations:

	August 31, 2016	December 31, 2015
	\$	\$
Short-term employee wages, bonuses and benefits	2,407,057	402,559
Post-employment benefits	-	-
Termination benefits	67,220	-
Total employee costs	2,474,277	402,559

Included in:

Cost of goods sold	656,893	-
Research and development expenses	79,457	-
Selling, general and administrative expenses	1,737,927	402,559
Total employee costs	2,474,277	402,559

b) Depreciation and amortization from continuing operations:

	August 31, 2016	December 31, 2015
	\$	\$
Selling, general and administrative expenses ⁽ⁱ⁾	481,602	4,030
Total depreciation and amortization		

⁽ⁱ⁾Selling, general and administrative expenses included \$396,260 amortization of intangible assets for the year ended December 31, 2016 (December 31, 2015 - \$Nil).

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

4. Business acquisition

On January 22, 2016, Intega Skin Sciences Inc. (“Buyer” or “Intega”) acquired all the issued and outstanding shares of Valeant Groupe Cosmédérme Inc., a dermatology company which develops, manufactures, sells and markets science-based quality dermocosmetics.

The purchase price of \$11,000,000 is subject to certain adjustments to the fair values assigned to the assets acquired and liabilities assumed (the purchase price adjustment period), as agreed upon between the Company and Valeant Groupe Cosmédérme Inc., which could result in a final amount paid that is higher or lower than the purchase price disclosed above. The purchase price adjustment period is 60 business days from January 22, 2016 and was established at \$32,000 in favor of the acquirer.

The purchase price for \$11,000,000 included \$9,000,000 of cash (at closing, including escrow) and a \$2,000,000 balance of payment (payable in \$1,000,000 instalments on the first and second anniversaries of the closing). The purchase price was also subject to an adjustment for working capital (compared to a target net working capital of \$Nil) and an inventories adjustment (\$2,000,000 of inventories must be delivered at closing).

To determine the adjusted purchase price, the Balance of Payment was discounted at a rate of 10%.

Based on Intega’s calculation, the adjusted purchase price for purposes of the financial reporting was determined to be \$10,702,000, net of the net working capital adjustment of \$32,000.

Assets acquired and liabilities assumed

The estimated fair values of the identifiable assets and liabilities of Valeant Groupe Cosmédérme Inc. as at the date of acquisition were approximately:

	Fair value recognized on acquisition \$
<hr/>	
Assets	
Cash	375,000
Accounts receivable	422,000
Inventories	3,289,000
Prepaid expenses	60,000
Equipment	396,000
Amortized intangible assets	6,515,000
Goodwill	1,696,000
Accounts payable and accrued liabilities	(887,000)
Deferred tax liability	(1,164,000)
	<hr/>
	10,702,000
	<hr/>

The fair value of the accounts receivables of \$420,000 is net of provision.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

4. Business acquisition (continued)

The acquisition is accounted for in accordance with the acquisition method of accounting. The excess of purchase price over estimated fair values of assets acquired and liabilities assumed has been recognized as goodwill at the acquisition date of January 22, 2016. The goodwill of \$1.696 million comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, INTEGA contributed approximately \$5,446,000 of revenues and \$5,609,000 to loss before income taxes from continuing operations of the Company.

	\$
<hr/>	
Purchase consideration	
Base Consideration - Initial Payment	8,966,000
Balance of payment - First anniversary	909,000
Balance of payment - Second anniversary	827,000
<hr/>	
Purchase consideration transferred	10,702,000

5. Accounts receivable

	August 31, 2016	December 31, 2015
	\$	\$
<hr/>		
Accounts receivable	907,990	-
Allowance for doubtful accounts	(4,761)	-
<hr/>		
	903,229	-
Sales taxes remittances receivable	72,857	89,561
<hr/>		
	976,086	89,561
<hr/>		

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

6. Inventories

	August 31, 2016	December 31, 2015
	\$	\$
Raw materials	682,182	-
Work-in-process	217,407	-
Finished goods	1,487,461	22,591
	2,387,050	22,591

During the year, inventories in the amount of \$3,967,000 (2015 - \$Nil) were recognized in cost of goods sold.

During the year ended on August 31, 2016, \$369,000 of finished goods and raw materials relating to continuing operations (2015 - \$Nil) were written down. There were no reversals of prior write-downs during the period ended August 31, 2016.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

7. Equipment

2016	Furniture and fixtures \$	Computer equipment \$	Machinery and equipment \$	Leasehold improvements \$	Total \$
Cost					
At January 1, 2016	14,964	9,213	-	-	24,177
Additions from the business acquisition (note 4)	3,322	6,066	82,187	304,425	396,000
Additions	14,628	299,580	18,360	68,000	400,568
At August 31, 2016	32,914	314,859	100,547	372,425	820,745
Depreciation					
At January 1, 2016	1,496	2,534	-	-	4,030
Depreciation for the year	3,486	35,703	6,633	39,520	85,342
At August 31, 2016	4,982	38,237	6,633	39,520	89,372
Net book value					
At January 1, 2016	13,468	6,679	-	-	20,147
At August 31, 2016	27,932	276,622	93,914	332,905	731,373
2015	Furniture and fixtures \$	Computer equipment \$	Machinery and equipment \$	Leasehold improvements \$	Total \$
Cost					
At January 1, 2015	-	-	-	-	-
Additions	14,964	9,213	-	-	24,177
Disposal	-	-	-	-	-
At December 31, 2015	14,964	9,213	-	-	24,177
Depreciation					
At January 1, 2015	-	-	-	-	-
Depreciation for the year	1,496	2,534	-	-	4,030
At December 31, 2015	1,496	2,534	-	-	4,030
Net book value					
At January 1, 2015	-	-	-	-	-
At December 31, 2015	13,468	6,679	-	-	20,147

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

8. Amortized intangible assets

2016	Trade names \$	Customer relationship \$	Formulations \$	Total \$
Cost				
At January 1, 2016	-	-	-	-
Additions from the business acquisition (note 4)	1,838,000	2,430,000	2,247,000	6,515,000
Disposal	-	-	-	-
At August 31, 2016	1,838,000	2,430,000	2,247,000	6,515,000
Depreciation				
At January 1, 2016	-	-	-	-
Depreciation for the year	111,796	147,797	136,667	396,260
Write-off	-	-	-	-
At August 31, 2016	111,796	147,797	136,667	396,260
Net book value				
At January 1, 2016	-	-	-	-
At August 31, 2016	1,726,204	2,282,203	2,110,333	6,118,740

9. Accounts payable and accrued liabilities

	August 31, 2016 \$	December 31, 2015 \$
Accounts payable and accrued liabilities	3,060,198	292,918
Salaries and vacation payable	118,455	29,731
	3,178,653	322,649

10. Promissory note payable

Promissory note payable, non-interest bearing, repayable in two instalments of \$1,000,000 plus interest, maturing on both January 22, 2017 and January 22, 2018. As of August 31, 2016, the balance of payment on the acquisition of Valeant Groupe Cosm derme Inc. was adjusted to reflect its fair value.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

11. Long-term debt

	August 31, 2016 \$	December 31, 2015 \$
Loan, with principal payments commencing on January 1, 2017 and maturing on December 31, 2021. However, in the event certain financial covenants are not met, the lender has the option to advance the maturity date by one year to December 31, 2020. This option, if available, must be exercised by March 1, 2019. The loan bears interest at a rate of 9% per year, compounded on a monthly basis. However, if the 1-year LIBOR rate plus 6% exceeds 9% at any interest payment date, interest for that month will be calculated using the 1-year LIBOR rate plus 6% instead of 9%	9,841,163	-
Unamortized deferred financing fees (net of accumulated amortization of \$49,444)	(395,556)	-
	9,445,607	-
Current portion of long-term debt	3,341,256	-
	6,104,351	-

Principal repayments based on repayment terms are due approximately as follows:

	\$
2017	3,341,256
2018	907,836
2019	1,532,875
2020	1,457,407
2021	1,291,615
Others	1,310,171

12. Convertible debentures

On April 9, 2015, the Company issued unsecured convertible debentures having a face value of \$1,000,000 bearing interest at 13% per annum with a maturity four years from the date of issue. The capital and accrued interest can be converted into common shares of the Corporation, any time at the option of the holder at a price of \$1.00 per common share.

At the time of issuance, the fair value of the liability component was determined to be \$772,807 and the residual of \$227,193 related to the conversion option was allocated to contributed surplus. The effective interest rate used to measure the fair value of the liability component on initial recognition was deemed to be 20% per annum.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

12. Convertible debentures (continued)

On January 22, 2016, the Company issued unsecured convertible debentures having a face value of \$1,046,008 bearing interest at 8% per annum with a maturity of four years from the date of issue. The capital and accrued interest can be converted into common shares of the Corporation, any time at the option of the holder at a price of \$1.18 per common share.

At the time of issuance, the fair value of the liability component was determined to be \$650,637 and the residual of \$395,371 related to the conversion option was allocated to contributed surplus. The effective interest rate used to measure the fair value of the liability component on initial recognition was deemed to be 20% per annum.

As at August 31, 2016, none of the debentures have been converted.

13. Retractable preferred shares in liabilities

Series "A" retractable preferred shares, participating and voting, with the right to a cumulative dividend of 7% of the Adjusted Price, with conversion rights in whole or in part at any time into Class "B-3" common shares

	August 31, 2016 \$	December 31, 2015 \$
Issued -		
638,976 "Series A" retractable preferred shares	753,992	-

On January 22, 2016, the Company issued 638,976 "Series A" retractable preferred shares for a cash consideration of \$753,992.

14. Commitment

The commitment of the Company under purchase obligations and lease agreements aggregate to \$12,228,000. The minimum annual payments are approximately as follows:

	\$
2017	2,030,000
2018	2,450,000
2019	2,895,000
2020	3,646,000
2021	401,000
Others	806,000

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

15. Capital stock

Authorized without limit as to number and without par value -

Class "A" common shares, participating and voting, ranking pari passu with Class "B" common shares, with the right to a non-cumulative dividend

Class "B-1" common shares, participating and voting, ranking pari passu with Class "A" common shares, with the right to a non-cumulative dividend

Class "B-2" common shares, participating and voting, ranking pari passu with Class "A" common shares, with the right to a non-cumulative dividend

Class "B-3" common shares, participating and voting, ranking pari passu with Class "A" common shares, with the right to a non-cumulative dividend

	August 31, 2016	December 31, 2015
	\$	\$
<hr/>		
Issued -		
4,787,846 (2015 - 4,700,101) Class "A" common shares	300,001	200,001
250,000 Class "B-1" common shares	250,000	250,000
350,000 Class "B-2" common shares	17,500	-
	<hr/> 567,501	<hr/> 450,001

On January 22, 2016, the Company issued 87,745 Class "A" common shares for a cash consideration of \$100,000.

On August 18, 2016, the Company issued 350,000 Class "B-2" common shares to eligible employees for cash consideration of \$17,500.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

16. Income taxes

Tax expenses comprises:

	August 31, 2016 \$	December 31, 2015 \$
Deferred tax expense	(1,325,473)	(5,058)
Total tax expense	(1,325,473)	(5,058)

Current tax expense

Income taxes reported differ from the amount computed by applying the statutory rates to the net loss. The reasons are as follows:

	August 31, 2016 \$	December 31, 2015 \$
Comprehensive loss	5,608,753	(1,327,283)
Income tax expenses (recovery) calculated at 26.90%	(1,508,755)	(357,039)
Effect of expenses that are not deductible in determining taxable profit	568,414	46,291
Deferred tax asset recognized upon business combination	697,233	-
Change in unrecognized deferred tax asset	243,108	310,748
	-	-

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

16. Income taxes (continued)

Deferred tax balances

	Opening balance \$	Recognized in equity \$	Business combination \$	Recognized in profit (loss) \$	Closing balance \$
2016					
Temporary differences					
Convertible debentures	(56,057)	(106,355)	-	16,178	(146,234)
Adjustment to fair market value of inventories	-	-	(277,070)	277,070	-
Amortized intangible assets	-	-	(1,752,535)	106,594	(1,645,941)
Eligible capital deduction	-	-	511,764	(81,363)	430,401
Other	-	-	39,531	(161,467)	(121,936)
	(56,057)	(106,355)	(1,478,310)	157,012	(1,483,710)
Unused tax losses and credits					
Tax losses	324,279	-	315,249	925,353	1,564,881
Unrecognized deferred tax assets	(324,279)	-	-	243,108	(81,171)
	(56,057)	(106,355)	(1,163,061)	1,325,473	-
2015					
Temporary differences					
Convertible debentures	-	(61,115)	-	5,058	(56,057)
Equipment	-	-	-	-	-
	-	(61,115)	-	5,058	(56,057)
Unused tax losses and credits					
Tax losses	13,531	-	-	310,748	324,279
Unrecognized deferred tax assets	(13,531)	-	-	(310,748)	(324,279)
	-	(61,115)	-	5,058	(56,057)

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

16. Income taxes (continued)

The Company can carry forward losses totaling \$5,817,402 at the Federal level and Provincial level for income tax purposes. The expiration dates for using these losses to reduce income taxes are as follows:

	Federal \$	Provincial \$
2033	1,803	1,803
2034	48,499	48,499
2035	2,271,408	2,271,408
2036	3,495,692	3,495,692
	5,817,402	5,817,402

17. Key management compensation

The remuneration of directors and other members of key management personnel, which is defined as the president and chief financial officer during the year was as follows:

	August 31, 2016 \$	December 31, 2015 \$
Wages, salaries and short-term benefits and bonuses	376,698	219,351

18. Financial instruments

Risks arising from financial instruments and risk management

The Company is exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including foreign exchange and interest rate). The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Interest rate risk

The Company is exposed to cash flow interest rate risk on its credit facilities which bear interest at variable rates. A one percentage point increase (decrease) in interest rates would have increased (decreased) the net and comprehensive loss by approximately \$14,000 in the year, with all other variables held constant.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

18. Financial instruments (continued)

Credit risk

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends and economic circumstances. The Company is exposed to credit risk in the event of non-payment by certain customers of their accounts receivable.

Details of the Company's gross trade receivables at August 31, 2016 were customer receivables and government remittances receivables. These receivables should be collected within three to six months.

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

	August 31, 2016	December 31, 2015
	\$	\$
Current	743,752	-
31-60 days past due	141,619	-
61-90 days past due	-	-
91+ days past due	22,619	-
	907,990	-

Liquidity risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company's financial liabilities consist of a line of credit, term loan, trade payables and other payables which are due within one year of the balance sheet date and finance leases.

The ability of the Company to realize its assets in the normal course of operations and to pay its liabilities as they come due is dependent upon the success of future operations, and the continued financial support of a company under common control.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities, excluding any fees in reduction, based upon undiscounted cash flows with agreed repayment periods.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

18. Financial instruments (continued)

August 31, 2016	On demand	1-3 years	4-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,178,654	-	-	-	3,178,654
Promissory note payable	1,000,000	909,000	-	-	1,909,000
Advance payable	60,000	-	-	-	60,000
Long-term debt	3,341,256	907,836	1,532,875	4,059,193	9,841,160
Convertible debentures	-	376,331	2,709,141	-	3,085,472

Currency risk

The Company is exposed to foreign currency fluctuations on its U.S. and Euros denominated assets and liabilities. As at August 31, 2016, the Company's significant foreign exchange currency exposure on these assets and liabilities by currency is approximately as follows:

	Foreign \$	Canadian \$
Cash (USD)	518	679
Accounts receivable (USD)	22,095	28,980
Accounts payable (USD)	267,387	345,603
Accounts payable (Euros)	22,645	32,588
	312,645	407,850

A ten percent (decrease) increase in the U.S. dollar and Euro versus the Canadian dollar at the end of the year would have increased (decreased) the net and comprehensive income for the year by approximately \$41,000 with all other variables held constant.

19. Capital disclosure

The Company's objective in managing capital is to ensure a sufficient liquidity position to market its products, to finance its sales and marketing activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with plant and equipment. The ability to fund these requirements in the future depends on the Company's ability to access additional capital and generate additional cash flow from its operations.

Since inception, the Company has financed its liquidity needs primarily through promissory note payable, long-term debt and convertible debentures, and when possible, the Company tries to optimize its liquidity needs by non-dilutive sources.

Intega Skin Sciences Inc.

Notes to Financial Statements August 31, 2016 and December 31, 2015

20. Subsequent event

On September 1, 2016, Crescita Therapeutics Inc. acquired 100% of the equity of Intega Skin Sciences Inc. The purchase price of \$8.0 million plus an additional \$2.0 million in milestone payments as defined in the agreement, is subject to certain adjustments to the fair values assigned to the assets acquired and liabilities assumed. The purchase price adjustment period is 90 business days from September 1, 2016 and was established at approximately \$400,000.

21. Comparative figures

Certain reclassifications of 2015 amounts have been made to facilitate comparison with the current year.

22. Additional cash flows information

	August 31, 2016 \$	December 31, 2015 \$
Accounts receivable	(464,525)	(84,372)
Inventories	(105,459)	(22,591)
Capitalized interest on long-term debt	481,165	-
Prepaid expenses	(103,924)	(721)
Accounts payable and accrued liabilities	2,033,149	322,649
	1,840,406	214,965

23. Financial statements approval

The financial statements were approved by the board of directors and authorized for issue on June 20, 2017.

APPENDIX C
(See attached.)



Crescita Therapeutics Inc.

**Pro Forma Statement of Loss
and Comprehensive Loss
for the Nine Months ended
September 30, 2016
(unaudited)**

CRESCITA THERAPEUTICS INC.
PRO FORMA STATEMENT OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

unaudited (Canadian dollars in thousands, except per share and share figures)	Crescita 9 months	INTEGA 8 months	Cosmoderme Jan 1 – 22	Note 2	Add(Deduct) Pro Forma Adjustments	Crescita 9 months Pro Forma
	\$	\$	\$		\$	\$
REVENUE						
Product sales	924	5,447	415		-	6,786
Royalties	72	-	-		-	72
Services revenue	260	-	-		-	260
Total revenue	1,256	5,447	415		-	7,118
OPERATING EXPENSES						
Cost of goods sold	567	5,157	170	b	(1,214)	4,680
Research and development expenses	1,505	254	24		-	1,783
Selling, general and administrative expenses	8,969	4,367	300	c, h	(1,169)	12,467
Interest expense	70	1,265	-	d, e, f	(1,120)	215
Interest income	(95)	-	-		-	(95)
Total operating expenses	11,016	11,043	494		(3,503)	19,050
OTHER EXPENSES						
Foreign currency loss	303	12	-		-	315
Net loss before income taxes from continuing operations	(10,063)	(5,608)	(79)		3,503	(12,247)
Income tax recovery	(63)	(1,325)	-	g	1,388	-
NET LOSS FROM CONTINUING OPERATIONS	(10,000)	(4,283)	(79)		2,115	(12,247)
NET LOSS FROM DISCONTINUED OPERATIONS	(2,187)	-	-		-	(2,187)
NET LOSS	(12,187)	(4,283)	(79)		2,115	(14,434)
Other comprehensive income to be reclassified to net income in subsequent periods						
Unrealized losses on translation of foreign operations	110	-	-		-	110
TOTAL COMPREHENSIVE LOSS	(12,077)	(4,283)	(79)		2,115	(14,324)
Net loss per common share from continuing operations –						
Basic and diluted	(0.82)	-	-		-	(1.00)
Net loss per common share from discontinued operations –						
Basic and diluted	(0.18)	-	-		-	(0.18)
Weighted average number of common shares outstanding (in thousands)						
Basic and diluted	12,234	-	-		-	12,234

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
NOTES TO THE PRO FORMA STATEMENT OF LOSS AND COMPREHENSIVE LOSS

Unless noted otherwise, all amounts shown are in thousands of Canadian dollars

1. BASIS OF PREPARATION

On September 1, 2016, Crescita Therapeutics Inc. ("Crescita" or the "Company") acquired 100% of the equity of INTEGA Skin Sciences Inc. ("INTEGA") (the "INTEGA Acquisition"). Concurrent with the Company's acquisition of INTEGA, INTEGA entered into an amended and restated loan agreement with Knight Therapeutics Inc. (the "Knight Loan Restructuring"). The unaudited pro forma consolidated statement of loss and comprehensive loss for Crescita for the nine months ended September 30, 2016 (the "pro forma statement") gives effect to the INTEGA Acquisition and the Knight Loan Restructuring as if they had both occurred on January 1, 2016.

On January 22, 2016, INTEGA acquired 100% of the equity of Valeant Groupe Cosmederme Inc. (the "Cosmederme Acquisition") (together with the INTEGA Acquisition, the "Acquisitions"). The pro forma statement also gives effect to the Cosmederme Acquisition as if it had occurred on January 1, 2016 and as if it had operated as an independent entity net of any intercompany transactions from the Valeant Group of companies.

The historical results of Crescita have been derived from the unaudited condensed consolidated interim financial statements of Crescita for the nine months ended September 30, 2016 restated for deferred taxes associated with the INTEGA Acquisition (see Note 24, *Restatement* in the restated audited consolidated financial statements for the year ended December 31, 2016, filed on May 15, 2017). The historical results of INTEGA have been derived from the audited financial statements of INTEGA for the eight months ended August 31, 2016. The results of operations of INTEGA from September 1, 2016 onward are reflected in the historical results of Crescita. The historical results of Cosmederme have been derived from unaudited financial information from January 1, 2016 through January 22, 2016, the date of the Cosmederme Acquisition. The results of operations of Cosmederme from January 23, 2016 through August 31, 2016 are reflected in the historical results of INTEGA. The results of operations of Cosmederme from September 1, 2016 onward are reflected in the historical results of Crescita.

The historical financial information has been adjusted in the pro forma statement to give effect to pro forma events that are: (a) directly attributable to the Acquisitions and the Knight Loan Restructuring; (b) factually supportable; and (c) expected to have a continuing impact on Crescita's results. The pro forma statement does not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies or synergies that could result from the Acquisitions.

In the opinion of management of Crescita, the pro forma statement includes all the adjustments necessary to conform to Crescita's selected accounting policies as disclosed in the December 31, 2016 consolidated financial statements. The pro forma statement has been prepared for illustrative purposes only and may not be indicative of the operating results that would have been achieved if the Acquisitions and the Knight Loan Restructuring had been completed on January 1, 2016, nor do they purport to project the results of operations for any future period. In addition to the pro forma adjustments, various other factors will have an effect on the results of operations after the completion of the Acquisitions and the Knight Loan Restructuring.

The pro forma statement should be read in conjunction with the Crescita unaudited consolidated financial statements for the nine months ended September 30, 2016 and related Management's Discussion and Analysis, the Crescita restated audited consolidated financial statements for the year ended December 31, 2016 and related restated Management's Discussion and Analysis, as well as the INTEGA audited financial statements for the eight months ended August 31, 2016.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

(a) Preliminary allocation of purchase price

The preliminary INTEGA purchase price allocation reflected in the unaudited condensed consolidated interim financial statements of Crescita for the nine months ended September 30, 2016 has subsequently been revised as follows, and reflects the purchase price allocation in the Crescita restated audited consolidated financial statements for the year ended December 31, 2016 filed on May 14, 2017:

	Fair value recognized on acquisition
	\$
ASSETS	
Cash and cash equivalents	316
Accounts receivable	976
Inventory	3,499
Prepaid expenses	103
Property, plant and equipment	733
Intangible assets	10,140
Total assets	15,767
LIABILITIES	
Accounts payable and accrued liabilities	3,176
Long-term debt	8,303
Deferred income tax liabilities	295
Other liabilities	1,953
Total liabilities	13,727
Total identifiable net assets at fair value	2,040
Goodwill arising on acquisition	6,195
PURCHASE CONSIDERATION TRANSFERRED	8,235

Crescita has not yet finalized the INTEGA purchase price allocation, including goodwill, and therefore, the information disclosed above for identifiable net assets acquired is subject to fair valuation changes.

The preliminary allocation of the Cosmederme purchase price is included in the audited financial statements of INTEGA for the eight months ended August 31, 2016. It has not been reproduced here because the assets and liabilities of Cosmederme originally acquired by INTEGA in the Cosmederme Acquisition were subsequently acquired by Crescita in the INTEGA Acquisition and, therefore, reflected in the preliminary allocation of the INTEGA purchase price.

(b) Inventory

Reflects the adjustment to eliminate the incremental fair value of \$1,214 related to inventory acquired in the Acquisitions recognized as cost of goods sold in the historical results of INTEGA and Crescita. These amounts are not expected to have a continuing impact on Crescita's results.

(c) Amortization of intangibles assets

Reflects the adjustment to the amortization expense associated with the preliminary fair values of the identifiable intangible assets acquired in the INTEGA Acquisition, assuming estimated useful lives of 10 - 20 years. Based on a preliminary combined fair value of \$10,140 for product brands and formulations, customer relationships and license agreement, estimated pro forma amortization expense is \$676 for the nine months ended September 30, 2016. The pro forma adjustment of \$191 of amortization expense is net of the amortization expense related to these identifiable intangible assets recorded in the historical results of INTEGA and Crescita.

(d) Knight debt restructuring

Reflects the adjustment to interest expense associated with the Knight Loan Restructuring. Based on a preliminary fair value of \$8,303, which represents a premium of \$1,500, and an effective annual interest rate of

2.4%, estimated pro forma interest expense is \$146 for the nine months ended September 30, 2016. The pro forma adjustment to reduce interest expense by \$714 reflects interest expense related to the Knight Loan recorded in the historical results of INTEGA and Crescita and by \$49 related to the amortization of deferred financing costs recorded in the historical results of INTEGA.

(e) Convertible debentures

Reflects the adjustment to eliminate \$189 of interest expense associated with convertible debentures recognized in the historical results of INTEGA. As part of the INTEGA Acquisition, the convertible debentures were converted into shares of INTEGA and purchased by Crescita.

(f) Balance of sale payable

Reflects the adjustment to eliminate \$168 of interest accretion on deferred purchase consideration relating to the Cosmederme Acquisition purchase price recognized in the historical results of INTEGA and Crescita.

(g) Deferred tax asset

Reflects the adjustment to eliminate the income tax recovery recognized in the historical results of INTEGA and Crescita. These amounts were recognized to offset the deferred tax liability associated with the preliminary fair value adjustments on acquisition. No deferred tax recovery is recognized in the pro forma statement because the deferred tax liability associated with the preliminary fair value of the acquired intangible assets is expected to be fully benefited within a twelve-month period and not have a continuing impact on Crescita's results.

(h) Acquisition-related costs

Reflects the adjustment to eliminate \$1,360 of costs relating to the Acquisitions recognized as Selling, general and administrative expenses in the historical results of Crescita and INTEGA. Acquisition-related costs are comprised of professional fees (legal, accounting, valuation) as well as financing related costs incurred with the Knight Loan Restructuring. These amounts are not expected to have a continuing impact on Crescita's results.