





May 15, 2017

Dear Reader:

We are hereby filing amended and restated annual Consolidated Financial Statements and annual Management Discussion & Analysis (MD&A) of Crescita Therapeutics Inc. for the year ended December 31, 2016.

Such annual Consolidated Financial Statements and MD&A are being filed to correct for deferred taxes associated with the INTEGA Acquisition. Previously, the losses recognized to offset the deferred tax liability associated with the fair value of the intangible assets were recognized through net income rather than through the purchase equation.

1. the annual Consolidated Financial Statements have been amended and restated to:

- (i) reverse the value previously recognized through net loss as an income tax recovery;
- (ii) reduce the value of Goodwill recognized on the acquisition; and
- (iii) correct the EPS from continuing operations;

The effects of the adjustments to the consolidated financial statements are presented below. The adjusted line items are as follows:

As at December 31, 2016	Previously reported	Adjustments	As adjusted
	\$	\$	\$
<i>Consolidated Statement of Financial Position</i>			
Goodwill	7,997	(1,802)	6,195
Deficit	(31,140)	(1,802)	(32,942)
<hr/>			
For the year ended December 31, 2016	Previously reported	Adjustments	As adjusted
	\$	\$	\$
<i>Consolidated Statement of Loss and Comprehensive Loss</i>			
Income tax recovery	(2,097)	1,802	(295)
Net loss from continuing operations	(12,702)	(1,802)	(14,504)
Net loss	(14,948)	(1,802)	(16,750)
Total comprehensive loss	(14,843)	(1,802)	(16,645)
Net loss per common share from continuing operations (basic & diluted)	(1.04)	(0.14)	(1.18)

The adjustments had no effect on the previously reported amounts of net cash flows from operating activities, investing activities or financing activities.

2. the annual MD&A has been amended to reflect the change in 1 above; and
3. Updated annual CEO and CFO certifications are being refiled on form 52-109F1R.

Yours very truly,

A handwritten signature in black ink, appearing to read 'M Kanji', with a stylized flourish extending to the right.

Muneerah Kanji
Interim Chief Financial Officer

Management's Report

The accompanying Restated Consolidated Financial Statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and the accompanying Restated Management's Discussion and Analysis. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies followed by the Company are set out in Note 3 to the Restated Consolidated Financial Statements.

To assist management in discharging these responsibilities, the Company maintains a system of procedures and internal controls which are designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for the preparation of accurate and timely financial information.

The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of accounting records and procedures to enable them to report their opinion as to the fairness of the Consolidated Financial Statements and their conformity with IFRS.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through an Audit Committee composed of three Directors, all of whom are not involved in the day-to-day operations of the Company. The Audit Committee meets quarterly with management, and with external auditors to review audit recommendations and any matters that the auditors believe should be brought to the attention of the Board of Directors. The Audit Committee reviews the Consolidated Financial Statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.



Daniel N. Chicoine
Executive Chairman and
Interim Chief Executive Officer
May 15, 2017



Muneerah Kanji
Interim Chief Financial Officer
May 15, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crescita Therapeutics Inc.

We have audited the accompanying consolidated financial statements of Crescita Therapeutics Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Crescita Therapeutics Inc. as at December 31, 2016 and 2015, and their financial performance and cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

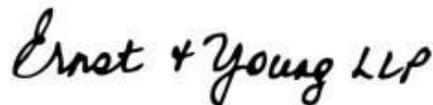
Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that the Company incurred a net loss of \$16,750,000 during the year ended December 31, 2016 and, as of that date the Company had an accumulated deficit of \$(32,942,000). These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Restatement of consolidated financial statements

Without qualifying our opinion, we draw attention to Note 24 to the consolidated financial statements for the year ended December 31, 2016, which explains that the consolidated financial statements have been restated from those on which we originally reported on March 29, 2017.

May 15, 2017
Toronto, Canada



Chartered Professional Accountants
Licensed Public Accountants

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(RESTATED)

<i>(Canadian dollars in thousands)</i>	<i>Notes</i>	As at December 31, 2016 Restated (Note 24) \$	As at December 31, 2015 \$
ASSETS			
CURRENT			
Cash and cash equivalents	20	9,807	478
Restricted short-term investments	11, 20	8,551	-
Accounts receivable	20, 23	1,679	195
Inventories	7	2,982	374
Other current assets	8	1,353	61
TOTAL CURRENT ASSETS		24,372	1,108
NON-CURRENT			
Property, plant and equipment	9	810	80
Intangible assets	5, 10	9,839	-
Goodwill	5	6,195	-
TOTAL ASSETS		41,216	1,188
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	14, 20	6,011	4,329
Current portion of long-term debt	5, 11, 20	723	-
Current portion of other obligations	12, 20	1,000	190
TOTAL CURRENT LIABILITIES		7,734	4,519
Long-term debt	5, 11, 20	7,441	-
Other obligations	5, 12, 20	1,035	35
TOTAL LIABILITIES		16,210	4,554
EQUITY			
Common shares issued and to be issued	5, 13	56,425	-
Contributed surplus	14	359	-
Owner's net investment	1, 13	-	(4,425)
Accumulated other comprehensive income (AOCI)		1,164	1,059
Deficit	13	(32,942)	-
TOTAL EQUITY		25,006	(3,366)
TOTAL LIABILITIES AND EQUITY		41,216	1,188

Commitments (Note 19)
See accompanying Notes.

On behalf of the Board of Directors



Anthony E Dobranowski, Director



David Copeland, Director

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(RESTATED)

	Year ended December 31, 2016 Restated (Note 24)	Year ended December 31, 2015
<i>(Canadian dollars in thousands, except per share and share figures)</i>	Notes	\$
REVENUE		
Product sales	22	3,012
Royalties	22	132
Services revenue	22, 23	360
Total revenue		3,504
OPERATING EXPENSES		
Cost of goods sold	7, 16	2,335
Research and development	14, 16, 23	2,015
Selling, general and administrative	14, 16, 23	13,724
Interest expense	11, 12	123
Interest income		(124)
Total operating expenses		18,073
OTHER EXPENSES		
Foreign currency loss		230
Net loss before income taxes from continuing operations		(14,799)
Income tax recovery	18	(295)
NET LOSS FROM CONTINUING OPERATIONS		(14,504)
NET LOSS FROM DISCONTINUED OPERATIONS	6	(2,246)
NET LOSS		(16,750)
Other comprehensive income (loss) to be reclassified to net loss in subsequent periods		
Unrealized gains (losses) on translation of foreign operations		105
TOTAL COMPREHENSIVE LOSS		(16,645)
Net loss per common share from continuing operations		
- basic and diluted	15	(1.18)
Net loss per common share from discontinued operations		
- basic and diluted	6, 15	(0.18)
Weighted average number of common shares outstanding (in thousands)		
- basic and diluted	15	12,251

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(RESTATED)

	Common Shares		Contributed Surplus	Deficit Restated (Note 24)	Owner's Net Investment	AOCI	Total Restated (Note 24)
<i>(Canadian dollars in thousands, except for number of shares)</i>	000s	\$	\$	\$	\$	\$	\$
<i>Notes</i>	<i>1, 5, 13, 14</i>	<i>1, 5, 13, 14</i>	<i>5, 13, 14</i>	<i>24</i>	<i>1, 13</i>		
Balance, December 31, 2014	-	-	-	-	(3,225)	1,124	(2,101)
Net loss	-	-	-	-	(15,448)	-	(15,448)
Net adjustments to owner's net investment	-	-	-	-	14,248	-	14,248
Unrealized losses on translation of foreign operations	-	-	-	-	-	(65)	(65)
Balance, December 31, 2015	-	-	-	-	(4,425)	1,059	(3,366)
Net loss	-	-	-	(13,570)	(3,180)	-	(16,750)
Net adjustments to owner's net investment	-	-	-	-	4,830	-	4,830
Cash transferred from Nuvo Research Inc. (Nuvo) in connection with the Arrangement	-	-	-	-	35,016	-	35,016
Issuance of common stock and reclassification of owner's net investment to deficit in connection with the Arrangement	11,487	51,613	-	(19,372)	(32,241)	-	-
Issuance of shares on acquisition	2,402	3,988	-	-	-	-	3,988
Future issuance of shares on acquisition	470	779	-	-	-	-	779
Share-based option exercise	46	45	-	-	-	-	45
Issuance of warrants	-	-	211	-	-	-	211
Share based compensation expense	-	-	148	-	-	-	148
Unrealized losses on translation of foreign operations	-	-	-	-	-	105	105
Balance, December 31, 2016	14,405	56,425	359	(32,942)	-	1,164	25,006

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(RESTATED)

<i>(Canadian dollars in thousands)</i>	<i>Notes</i>	Year ended December 31, 2016 Restated (Note 24)	Year ended December 31, 2015
		\$	\$
OPERATING ACTIVITIES			
Net loss from continuing operations		(14,504)	(7,465)
Net loss from discontinued operations		(2,246)	(7,983)
Items not involving current cash flows:			
Depreciation and amortization	9, 10, 16	418	37
Equity-settled share-based compensation	14	177	121
Unrealized foreign exchange losses		316	32
Deferred taxes	18	(295)	-
Loss on disposal, net of cash transferred	6	37	-
Fair value adjustment of milestones	12	(134)	-
Inventory write-down	7	342	135
Fixed asset impairment	6, 9	27	-
Accretion and amortization of debt premium	11, 12	(65)	40
		(15,927)	(15,083)
Net change in non-cash working capital	17	(2,650)	1,165
CASH USED IN OPERATING ACTIVITIES		(18,577)	(13,918)
INVESTING ACTIVITIES			
Acquisition of INTEGA, net of cash acquired	5	(2,744)	-
Acquisition of property, plant and equipment	9	(123)	(23)
Purchases of short-term investments	11	(8,551)	-
CASH USED IN INVESTING ACTIVITIES		(11,418)	(23)
FINANCING ACTIVITIES			
Additional net investment from Nuvo prior to the Arrangement		4,801	14,127
Cash transferred from Nuvo per the Arrangement	1	35,016	-
Cash received on exercise of options	14	45	-
Payments under long-term consulting agreement	12	(280)	(186)
CASH PROVIDED BY FINANCING ACTIVITIES		39,582	13,941
Effect of exchange rate changes on cash		(258)	35
Net change in cash during the year		9,329	35
Cash, beginning of year		478	443
CASH, END OF YEAR		9,807	478
<i>Interest paid ⁽ⁱ⁾</i>		158	-
<i>Interest received ⁽ⁱ⁾</i>		99	-

⁽ⁱ⁾ Amounts paid and received were reflected as operating cash flows in the Consolidated Statements of Cash Flows.

See accompanying Notes.

CRESCITA THERAPEUTICS™ INC.
NOTES TO THE RESTATED CONSOLIDATED FINANCIAL STATEMENTS

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

1. CORPORATE INFORMATION

Crescita Therapeutics Inc. (Crescita or the Company) is a Canadian commercial dermatology company with a portfolio of non-prescription skincare products and prescription drug products for the treatment and care of skin conditions and diseases and their symptoms. Crescita owns multiple proprietary drug delivery platforms that support the development of patented formulations that can facilitate the delivery of active drugs into or through the skin. During the year ended December 31, 2016, the Company acquired INTEGA Skin Sciences Inc. (INTEGA) (see Note 5, *Acquisition of INTEGA*) and discontinued the operations of the Immunology Group (see Note 6, *Discontinued Operations*). The Company's registered office is located at 7560 Airport Road, Unit 10, Mississauga, Ontario, L4T 4H4.

Reorganization

On March 1, 2016, Nuvo Research Inc. (Nuvo) completed a transaction (the Reorganization) pursuant to which Nuvo was reorganized into two separate publicly traded companies, Nuvo and Crescita. The Reorganization proceeded by way of arrangement under the *Canada Business Corporations Act* (the Arrangement). As part of the Reorganization, Nuvo Research Inc. changed its name to "Nuvo Pharmaceuticals Inc." Detailed information regarding the Reorganization and its effects, including a description of certain risks and uncertainties in respect of the Reorganization and the operations of Nuvo and Crescita as separate publicly traded companies, are included in the Management Information Circular of Nuvo dated December 31, 2015 (Nuvo Reorganization Circular) available under Nuvo's profile at www.sedar.com.

Prior to the Reorganization, Nuvo operated two distinct business units: Nuvo and Crescita. Nuvo is a commercial healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Crescita is a commercial dermatology business that operated two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The TPT Group has one commercial product, a pipeline of topical and transdermal products focusing on pain and dermatology and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The Company's acquisition of INTEGA on September 1, 2016 provides the TPT Group distribution rights to INTEGA's well-known and established skincare brands: Laboratoire Dr Renaud™, Pro-Derm™, Premiology® and ISDIN® (the trademark is owned by ISDIN S.A. and is being used under license by INTEGA Skin Sciences Inc.). The Immunology Group had two commercial products and is presented as discontinued operations in these Consolidated Financial Statements; therefore, the Company is reporting the entire business as one segment.

These Consolidated Financial Statements present the financial position, results of operations, changes in equity and cash flows of Nuvo's drug development operations as if it had always operated as a stand-alone entity prior to March 1, 2016. The financial results for the periods prior to March 1, 2016 represent the financial position, results of operations and cash flows of Nuvo's drug development operations on a combined carve-out basis.

The financial information prior to March 1, 2016 has been primarily derived from the accounts of Nuvo's wholly owned United States and European subsidiaries, adjusted to remove balances and transactions related to a commercialized product that did not form part of Crescita - the heated lidocaine/tetracaine patch (HLT Patch).

The financial information prior to March 1, 2016 also includes an allocation of balances and transactions relating to both corporate office activities performed on behalf of the Company by Nuvo and certain drug development activities performed on behalf of the Company by Nuvo.

As the financial information prior to March 1, 2016 represents a portion of the business of Nuvo which was not organized as a stand-alone entity, the net assets of Crescita prior to March 1, 2016 have been reflected as owner's net investment.

Management believes both the assumptions and the allocations underlying the financial information prior to March 1, 2016 are reasonable. However, as a result of the basis of presentation described above, the financial information prior to March 1, 2016 may not necessarily be indicative of the operating results and financial position that would have resulted had Crescita historically operated as a stand-alone entity.

2. BASIS OF PREPARATION

Statement of Compliance

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

The policies applied to these Consolidated Financial Statements are based on IFRS, which have been applied consistently to all periods presented. These Consolidated Financial Statements were issued and effective as at May 15, 2017, the date the Board of Directors approved these Consolidated Financial Statements.

3. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements have been prepared on a going-concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

As at December 31, 2016, the Company had an accumulated deficit of \$32.9 million including a net loss of \$16.8 million for the year ended December 31, 2016.

The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions. Unexpected increases in Crescita's costs and expenses due to operational decisions made by the Company and/or factors beyond the Company's control could cause its cash resources to be depleted and profitability will not be achieved.

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its Business Acquisition Report (BAR) with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, Crescita may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations.

As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These Consolidated Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement

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

Use of Estimates and Judgments

The preparation of financial statements 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 these Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material.

Key areas of estimation or use of managerial assumptions include corporate allocations resulting from the Reorganization (see Note 23, *Related Party Transactions*) and acquisition accounting (see Note 5, *Acquisition of INTEGA*).

Key areas of estimation or use of managerial assumptions are as follows:

(i) Allocations

Nuvo paid certain costs for the Company and performed certain activities on behalf of the Company. As a result, these Consolidated Financial Statements include allocations of certain balances and transactions reported in the accounts of Nuvo.

An entity included in these Consolidated Financial Statements paid certain costs for Nuvo and performed certain activities on behalf of Nuvo related to the HLT Patch. Accordingly, an allocation of certain balances and transactions reported in the accounts of this entity have been excluded from these Consolidated Financial Statements.

Compensation related costs have been allocated using methodologies primarily based on proportionate time spent on the Company's and Nuvo's respective activities. These cost allocations have been determined on a basis considered by the Company and Nuvo to be a reasonable reflection of the utilization of services provided to the Company.

(ii) 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.

For the acquisition of INTEGA, the estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% 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 13.6%. The fair value of the contingently payable purchase price obligation is based on a weighted average probability of achieving the earn-out target.

(iii) Cash-generating units

The identification of cash-generating units (CGUs) within the Company requires considerable judgment. Under IFRS, management must determine the smallest group of assets that generate independent cash inflows. Management first considers the Company's commercialized products and then determines the operations that contribute to each product's revenue base and net cash inflows. Management has identified one CGU for the Company.

(iv) Impairment of non-financial assets and goodwill

The Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. However, goodwill is tested for impairment annually in the fourth quarter. The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. The recoverable amount has been determined by management using fair value less costs to sell model. This complex valuation process entails the use of methods, such as the discounted cash flow method which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate used in the discounted cash flow model, as well as the quantum and timing of expected future cash flows and the growth rate used for the extrapolation.

The estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% was applied to derive a terminal value beyond the initial 5-year period. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2016 was 13.1%.

A 100-basis point increase in the post-tax discount rate would have resulted in an impairment charge of \$0.4 million in 2016.

A 10% decrease, evenly distributed over the future periods, in the expected future net cash inflows would have resulted in an impairment charge of \$0.2 million in 2016.

(v) Share-based payments

The Company measures the cost of share-based payments, either equity or cash-settled, with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. In addition, cash-settled share-based payments are revalued to fair value at every reporting date.

Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of share-based payments, such as incentive stock options and share appreciation rights, the Company uses the Black-Scholes option pricing model.

Several assumptions are used in the underlying calculation of fair values of the Company's stock options and share appreciation rights using the Black-Scholes option pricing model, including the expected life of the option, stock price volatility and forfeiture rates. Details of the assumptions used are included in Note 14, *Share-based Compensation and Other Share-based Payments*.

Basis of Consolidation

These Consolidated Financial Statements include the accounts of the Company's wholly owned Canadian, U.S. and European subsidiaries, as listed below. The financial information prior to March 1, 2016 has been adjusted to remove balances and transactions related to the HLT Patch.

	December 31, 2016	December 31, 2015
INTEGA Skin Sciences Inc.	100%	-
Nuvo Research America, Inc. and its subsidiaries: Nuvo Research US, Inc., ZARS Pharma, Inc., and ZARS (UK) Limited	100%	100%
Dimethaid Immunology Inc.	100%	100%
Nuvo Research AG and its subsidiary: ⁽ⁱ⁾ Nuvo Research GmbH	100%	100%

⁽ⁱ⁾ On July 11, 2016, the Company sold its German manufacturing operation (see Note 6, *Discontinued Operations*).

The Company controls the subsidiaries above with the power to govern their financial and operating policies. All significant intercompany balances and transactions have been eliminated upon consolidation.

Foreign Currency Translation

Entities included in these Consolidated Financial Statements each determine their functional currency based on the currency of the primary economic environment in which they operate. The functional currency of the Company's corporate operations is the Canadian dollar, while the functional currencies of the Company's foreign operations are either the U.S. dollar or euro.

(i) Transactions

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

(ii) Translation into presentation currency

The Company's foreign operations are translated into the Company's presentation currency, which is the Canadian dollar, for inclusion in these Consolidated Financial Statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at the average exchange rate for the period (as this is considered a reasonable approximation to actual rates). The resulting translation gains and

losses are included in other comprehensive income (OCI) with the cumulative gain or loss reported in accumulated other comprehensive income (AOCI).

When the Company disposes of its entire interest in a foreign operation or loses control or influence over a foreign operation, the foreign currency gains or losses in AOCI related to the foreign operation are recognized in income or loss.

Cash and Cash Equivalents

Cash includes cash on hand and current balances with banks and similar institutions, including money market mutual funds. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value. Cost approximates fair value.

Restricted short-term Investments

Restricted short-term investments (guaranteed pledge to long-term debt) are held in highly liquid instruments such as guaranteed investment certificates or other securities, held primarily with Schedule 1 Canadian banks, with an original term to maturity of more than three months and remaining term to maturity of less than one year.

Inventories

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 inventory (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 inventory 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 inventory values are not recoverable and a write-down is necessary.

Property, Plant and Equipment

Property, plant and equipment (PP&E) is recorded at cost. The Company allocates the amount initially recognized in respect of an item of PP&E to its significant parts and amortizes separately each such part.

Depreciation of PP&E is provided for over the estimated useful lives from the date the assets become available for use as follows:

Buildings	10 to 25 years	Straight line
Leasehold improvements	Term of lease	Straight line
Furniture and fixtures	5 years	Straight line
Computer equipment and software	1 to 3 years	Straight line
Production, laboratory and other equipment	3 to 5 years	Straight line

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible Assets

Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the date of acquisition, which is considered to be cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization commences when the intangible asset is available for use and for patented assets is computed on a straight-line basis over the intangible asset's estimated useful life, which cannot exceed the lesser of the remaining patent life and 20 years. The estimated useful lives are as follows:

Product brands and formulations	10 to 20 years	Straight line
Customer relationships	10 years	Straight line
License agreement	10 years	Straight line

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying value of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment of Non-financial Assets

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are largely independent cash flows. CGUs to which goodwill has been allocated are tested for impairment at least annually. For all other individual assets or CGUs, the Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

With the exception of goodwill, a previously recognized impairment loss is reversed if there are indications that the impairment loss may no longer exist. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment reversal is recognized as other income.

Leases

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

Financial Instruments

All financial instruments are classified into one of the following five categories: fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the Consolidated Statements of Financial Position and are measured at fair market value upon inception. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. FVTPL financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in OCI until the asset is removed from the Consolidated Statements of Financial Position. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

The Company classifies its financial instruments as follows:

- Cash, short-term investments and accounts receivable are classified as loans and receivables and are measured at amortized cost. Interest income is recorded in net income (loss), as applicable.
- Accounts payable and accrued liabilities, long-term debt and other long-term obligations are classified as other financial liabilities and are measured at amortized cost using the effective interest method. Interest expense is recorded in net income (loss), as applicable.

Financing costs associated with the issuance of debt are netted against the related debt and are deferred and amortized over the term of the related debt using the effective interest method.

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in equity from transactions and other events and circumstances from non-shareholder sources. OCI (loss) refers to items recognized in comprehensive income (loss), but that are excluded from net income (loss) calculated in accordance with IFRS. The resulting changes from translating the financial statements of foreign operations to the Company's presentation currency, which is the Canadian dollar, are recognized in comprehensive income (loss) for the year.

Revenue Recognition

The Company recognizes revenue from product sales, royalties and service agreements.

Product Sales

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.

Royalties

Revenue arising from royalties is recognized when reasonable assurance exists regarding measurement and collectability. Royalties are typically calculated as a percentage of net sales realized by the Company's licensees of its products (including their sub-licensees), as specifically defined in each agreement. The licensees' sales generally consist of revenues from product sales of the Company's pharmaceutical products and net sales are determined by deducting the following: estimates for chargebacks, rebates, sales incentives and allowances, returns and losses and other customary deductions in each region where the Company has licensees. While the Company receives royalty payments quarterly, it can only recognize the amounts as revenue when reasonable assurance exists regarding measurement and collectability. Royalty revenue from the launch of a product in a new territory, for which the Company or its licensee are unable to develop the requisite historical data on which to base estimates of returns, may be deferred until such time that a reasonable estimate can be made and once the product has achieved market acceptance. Any royalty payments received or receivable in advance of when they would be recognized as revenue are recorded in deferred revenue.

Services Revenue

Revenues from contracted services are generally recognized as the contracted services are performed, and the related expenditures are incurred pursuant to the terms of the agreement and provided collectability is reasonably assured.

Licensing and Collaboration Arrangements

The Company may enter into licensing and collaboration agreements for product development, licensing, supply and distribution for its commercial products and product pipeline. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from collaborations. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. License fees are recognized as revenue when persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has been substantially completed and collection is reasonably assured. If there are no substantive performance obligations over the life of the contract, the up-front non-refundable payment is recognized when the underlying performance obligation is satisfied. If substantive contractual obligations are satisfied over time or over the life of the contract, revenue may be deferred and recognized over the performance. The term over which upfront fees are recognized is revised if the period over which the Company maintains substantive contractual obligations changes.

Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period.

Research and Development

Research costs are charged to operations as incurred. Expenditures on internally developed products are capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Development expenses are charged to operations as incurred unless such costs meet the criteria for deferral and amortization. No development costs have been deferred to-date.

Government Assistance

Government assistance received under incentive programs is accounted for using the cost reduction method; whereby, the assistance is netted against the related expense or capital expenditure to which it relates when there is reasonable assurance that the credits will be realized.

Government assistance received under reimbursement or funding programs are accounted for using the cost reduction method; whereby, a receivable is set up as the costs are incurred based on the terms of reimbursement or funding program and the expected recoveries are netted against the related expense.

Net Income or Loss Per Common Share

Basic net income or loss per common share is calculated using the weighted average number of common shares outstanding during the year. The shareholders of Nuvo received one common share of Crescita for one common share of Nuvo. Accordingly, the weighted average number of shares used for the period prior to the Arrangement is the weighted average number of common shares of Nuvo for the respective year.

Diluted net income or loss per common share is calculated assuming the weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential shares had been issued. The dilutive effect of warrants, stock options and performance share units is determined using the treasury-stock method. The treasury-stock method assumes that the proceeds from the exercise of warrants and options are used to purchase common shares at the volume weighted average market price during the year. The dilutive effect of convertible securities is determined using the “if-converted” method. The “if-converted” method assumes that the convertible securities are converted into common shares at the beginning of the period and all income charges related to the convertible securities are added back to income. Diluted loss per share has not been presented separately as the outstanding warrants, stock options and performance share units are anti-dilutive for each year presented.

Income Taxes

Current and deferred income taxes and income tax expense have been recorded in these Consolidated Financial Statements as though Crescita was a separate taxable entity, using a stand-alone taxpayer approach.

Income taxes on income or loss include current and deferred taxes. Income taxes are recognized in income or loss except to the extent that they relate to business combinations or items recognized directly in equity or in OCI. Current taxes are expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to taxes payable in respect of previous years. The Company is subject to withholding taxes on certain forms of income earned under its in-licensing agreements from foreign jurisdictions.

Deferred tax is generally recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted in the relevant jurisdiction by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the Consolidated Statements of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries, branches and associates, and interests in joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized.

Share-based Compensation and Other Share-based Payments

Prior to the effective date of the Arrangement, certain employees of Crescita participated in Nuvo's share-based compensation plans. During that period, share-based compensation expense had been allocated to Crescita, primarily based on proportionate time spent on Crescita's and Nuvo's respective activities.

Nuvo's share-based compensation plans included the Nuvo Share Incentive Plan, the Nuvo Share Appreciation Rights (SARs) Plan and the Nuvo Deferred Share Unit (DSU) Plan. Under Nuvo's Share Incentive Plan, there were three sub-plans: the Nuvo Share Purchase Plan, the Nuvo Share Option Plan and the Nuvo Share Bonus Plan. Pursuant to the Arrangement, Crescita established its own share-based compensation plans: the Share Incentive Plan and the SARs Plan. Under the Crescita Share Incentive Plan, there are three sub-plans: the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan.

Share Incentive Plan

The Company measures and recognizes compensation expense for the Share Incentive Plan based on the fair value of the common shares or options issued.

Under the Share Option Plan, the Company issues either fixed awards or performance-based options. Options vest either immediately upon grant or over a period of one to four years or upon the achievement of certain performance related measures or milestones. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest.

Under the Share Purchase Plan, the fair value of the Company's matching contribution, determined based upon the volume weighted average price (VWAP) of the Company's common shares, is recorded as compensation expense and is included in share-based compensation expense.

Under the Share Bonus Plan, the fair value of the direct award of common shares, determined based upon the trading price of the Company's common shares, is recorded as compensation expense and is included in share-based compensation expense.

Share Appreciation Rights Plan

SARs are issued to officers, employees or designated affiliates to provide incentive compensation based on the appreciation in value of the Company's common shares. Under the SARs Plan, participants receive, upon vesting, a cash amount equal to the difference between the SARs' fair market value and the grant price value, also known as the intrinsic value. Fair market value is determined by the closing price of the Company's common shares on the Toronto Stock Exchange (TSX) on the day preceding the exercise date. SARs vest in tranches prescribed at the grant date, and each tranche is considered a separate award with its own vesting period and fair value. Until SARs vest, compensation expense is measured based on the fair value of the SARs at the end of each reporting period, using the Black-Scholes option pricing model. The fair value of the liability is remeasured at the end of each reporting date and adjusted at the settlement date, when the intrinsic value is realized.

Nuvo Deferred Share Unit Plan

Under the Nuvo DSU Plan, Nuvo issued DSUs to employees based on their elected portion of quarterly earnings they wished to receive in units of the DSU Plan. DSUs were intended to be settled in cash. Upon issuance, the fair value of the DSUs was recorded as compensation expense and at all subsequent reporting dates, movements in fair value were charged or credited to compensation expense. Effective March 1, 2016, Crescita did not have a DSU Plan for directors or employees.

Net Investment

Nuvo's investment in the operations of Crescita is presented as Owner's Net Investment in these Consolidated Financial Statements. Owner's net investment represents capital invested, accumulated net earnings of the operations (less the accumulated net distributions to Nuvo).

Issuance Costs of Equity Instruments

The Company records issuance costs of equity instruments against the equity instrument that was issued.

Accounting Standards Adopted

There were no new accounting standards adopted by the Company during 2016.

Significant Accounting Policies

The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as at December 31, 2016.

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRS Interpretations Committee (IFRIC) that are not yet effective and have not yet been early adopted by the Company. The standards impacted that may be applicable to the Company are as follows:

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9), which will replace IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 establishes principles for

the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual Consolidated Financial Statements commencing January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates during the course of 2017 as it advances in its assessment.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates, during the course of 2017, as it advances in its assessment.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 - *Leases* (IFRS 16), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements.

Amendments to IFRS 2 - Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payments* (IFRS 2), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification from cash settled to equity settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates, during the course of 2017, as it advances in its assessment.

5. ACQUISITION OF INTEGA

On September 1, 2016, the Company acquired 100% of the equity of INTEGA, a private company located in Laval, Québec that develops, manufactures, sells and markets science-based quality non-prescription skincare products. The Company's management and Board of Directors made the decision to pursue a strategy to transform Crescita into a dermatology company with an emphasis on commercially advanced non-prescription skincare markets and prescription drug products. This strategy would allow Crescita to leverage its skin penetration technology, as well as approved topical products and to mitigate risks by pursuing already approved products in the non-prescription skincare market.

Assets Acquired and Liabilities Assumed

The estimated fair values of the identifiable assets and liabilities of INTEGA as at September 1, 2016 (the date of the acquisition) were:

	Fair value recognized on acquisition Restated (Note 24)
	\$
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

The fair value of the accounts receivables of \$1.0 million is net of a provision.

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 September 1, 2016. The goodwill of \$6.2 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.

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

From the date of acquisition, INTEGA contributed \$3.0 million of revenue and \$1.6 million to loss before income taxes from continuing operations of the Company.

	\$
PURCHASE CONSIDERATION	
Base Consideration – Initial Payment (Note 13)	3,988
Base Consideration – Future Payment (Note 13)	779
Warrants (Note 14)	211
Bridge loan repayments	3,060
Milestone Payments (Note 12)	197
PURCHASE CONSIDERATION TRANSFERRED	8,235

The aggregate purchase price paid by the Company for 100% of INTEGA's equity consists of the following:

- The issuance of 2,402,314 Crescita common shares on closing (Base Consideration – Initial Payment).
- Management estimates that 469,473 Crescita common shares could be issued within 30 days following Crescita's next annual shareholders meeting (AGM), which is expected to be held in the second quarter of 2017 (Base Consideration – Future Payment). In lieu of issuing these shares, Crescita shareholders can

elect to make a cash payment equal to 469,473 Crescita common shares multiplied by the greater of (i) \$2.4375, and (ii) the five trading-day volume-weighted average closing price of Crescita's common shares on the TSX ending on the last trading day prior to the date of Crescita's AGM.

- On closing, the issuance of 457,986 common share purchase warrants in exchange for INTEGA's outstanding warrants, each of which permits the holder thereof to acquire one Crescita common share at a price of \$2.44 per share.
- On closing, the repayment by the Company of \$3.1 million in bridge loans held by INTEGA.
- Up to an additional \$2.0 million in milestones if certain financial targets (Milestones) are achieved by INTEGA in 2016 and 2017. Each of the two \$1.0 million milestone payments is payable in cash or Crescita common shares at the option of the Company (Milestone Payments). The conditions of the first milestone payment based on 2016 financial performance were not met and the first potential \$1.0 million payment will not be paid.

The fair value of Crescita common shares related to the Base Consideration is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which is \$1.66 per share.

The value of the warrants included in purchase consideration represents the fair value of the Crescita warrants, calculated at the acquisition date using the Black-Scholes model (see Note 14, *Share-based Compensation and Other Share-based Payments*).

Analysis of cash flows on September 1, 2016 (the date of the acquisition):

	\$
Repayment of bridge loans (included in cash flows from investing activities)	(3,060)
Transaction costs of the acquisition (included in cash flows from operating activities)	(875)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	316
NET CASH FLOW ON ACQUISITION	(3,619)

Transaction costs totalling \$1.8 million were expensed for the year and are included in selling, general and administrative (SG&A) expenses.

Contingent Consideration

The Milestone Payments under the purchase agreement represent contingent consideration. Additional payments of \$2.0 million to the previous owners of INTEGA may be made if the Company meets certain Milestones from the date of acquisition through to December 31, 2017. As at the acquisition date, the fair value of the contingent consideration was estimated to be \$0.2 million based on management's best estimate of the probability of achieving the Milestones, using a discount rate of 15%.

A significant increase (decrease) in the probability of achieving a milestone would result in a higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability. As at December 31, 2016, management has determined that the conditions of the first milestone payment, based on 2016 financial performance were not met and the first potential \$1.0 million payment will not be paid. The fair value of the Milestone Payments decreased by \$0.1 million since September 1, 2016 and the changes are reflected in the results of operations for the year.

6. DISCONTINUED OPERATIONS

The Company has historically reported two operating segments: TPT Group and Immunology Group. During the year ended December 31, 2016, the Company discontinued the operations of the Immunology Group.

On July 11, 2016, the Company sold its German manufacturing operation that produces the active ingredient in WF10™ and Oxoferin™ and the intellectual property related to WF10 to Dr. Kuehne, the inventor of WF10, for nominal proceeds. The net assets for the manufacturing plant as at the date of the sale were \$0.1 million. In addition, under the terms of the agreement, the balance of Dr. Kuehne's consulting fees (see Note 12, *Other Obligations*) was paid in full. During the second half of 2016, the Company commenced the wind-down of the Immunology Group operations and expects this process to be completed by early 2018.

Operating results have been restated to reflect the Immunology Group as a discontinued operation. Accordingly, the Immunology Group is no longer presented in Note 22, *Segmented Information*.

The following table presents the effect of the discontinued operations in the Consolidated Statements of Loss and Comprehensive Loss:

	December 31, 2016	December 31, 2015
	\$	\$
REVENUE		
Product sales	189	629
Services revenue	4	-
Total revenue	193	629
OPERATING EXPENSES		
Cost of goods sold	658	501
Research and development expenses	1,444	7,540
Selling, general and administrative expenses	200	554
Total operating expenses	2,302	8,595
OTHER INCOME		
Foreign currency loss (gain)	(9)	17
Impairment of property, plant and equipment (Note 9)	27	-
Loss on disposal	119	-
NET LOSS FROM DISCONTINUED OPERATIONS	(2,246)	(7,983)
Net loss from discontinued operations per common share –		
- basic and diluted	(0.18)	(0.73)
Average number of common shares outstanding (in thousands)		
- basic and diluted	12,251	10,926

The following table presents the effect of the discontinued operations in the Consolidated Statements of Cash Flows:

	Year Ended December 31, 2016	Year Ended December 31, 2015
	\$	\$
Cash used in operating activities	(2,747)	(7,393)
Cash used in investing activities	-	-
Cash used in financing activities	-	-
Net cash outflow	(2,747)	(7,393)

7. INVENTORIES

Inventories consist of the following as at:

	December 31, 2016	December 31, 2015
	\$	\$
Raw materials	1,332	30
Work-in-process	422	209
Finished goods	1,228	135
	2,982	374

During the year ended December 31, 2016, inventories in the amount of \$1.2 million [December 31, 2015 - \$nil] were recognized in cost of goods sold.

During the year ended December 31, 2016, \$0.1 million of finished goods related to continuing operations [December 31, 2015 - \$nil] were written down. There were no reversals of prior write-downs during the years ended December 31, 2016 and 2015.

8. OTHER CURRENT ASSETS

Other current assets consisted of the following as at:

	December 31, 2016	December 31, 2015
	\$	\$
Deposits ⁽ⁱ⁾	298	2
Other receivables	592	59
Research and development supplies	74	-
Prepaid expenses	389	-
	1,353	61

⁽ⁱ⁾ As at December 31, 2016, deposits included \$0.2 million pledged as security for the corporate office lease and \$0.1 million pledged as security for corporate credit cards.

9. PROPERTY, PLANT AND EQUIPMENT

PP&E consists of the following as at:

	Buildings	Leasehold Improvements	Furniture and Fixtures	Computer Equipment and Software	Production Laboratory and Other Equipment	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	858	113	212	881	282	2,346
Foreign exchange movements	61	-	4	4	23	92
Additions	-	-	-	21	2	23
Balance, December 31, 2015	919	113	216	906	307	2,461
Foreign exchange movements	(18)	-	(1)	(1)	(5)	(25)
Net transfers from Nuvo ⁽ⁱ⁾	-	-	-	(3)	692	689
Acquired in INTEGA acquisition (Note 5)	-	333	28	276	96	733
Additions	-	33	-	89	1	123
Disposals ⁽ⁱⁱⁱ⁾	(901)	-	(59)	(62)	(337)	(1,359)
Balance, December 31, 2016	-	479	184	1,205	754	2,622
Accumulated depreciation						
Balance, December 31, 2014	858	113	211	835	239	2,256
Foreign exchange movements	61	-	4	3	20	88
Depreciation expense	-	-	1	20	16	37
Balance, December 31, 2015	919	113	216	858	275	2,381
Foreign exchange movements	(18)	-	(1)	(1)	(5)	(25)
Net transfers from Nuvo ⁽ⁱ⁾	-	-	-	-	671	671
Depreciation expense	-	22	2	58	35	117
Impairment charge ⁽ⁱⁱ⁾	-	-	-	18	9	27
Disposals ⁽ⁱⁱⁱ⁾	(901)	-	(59)	(62)	(337)	(1,359)
Balance, December 31, 2016	-	135	158	871	648	1,812
Net book value as at December 31, 2015	-	-	-	48	32	80
Net book value as at December 31, 2016	-	344	26	334	106	810

- (i) Net transfers from Nuvo included assets attributable to Nuvo's drug development business transferred to Crescita as per the Arrangement.
- (ii) In the first quarter of 2016, following the decision to initiate a divestiture or orderly wind-down of the Immunology Group, the Company recognized an impairment charge of PP&E of the Immunology Group in the amount of \$27 (€18).
- (iii) Disposals included PP&E transferred as part of the sale of the German manufacturing operation that occurred on July 11, 2016, as well as assets disposed by way of the orderly wind-down of the Immunology Group.

10. INTANGIBLE ASSETS

Intangible assets consist of the following as at:

	Product Brands and Formulations	Customer Relationships	License Agreement	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2015	-	-	-	-
Acquired in INTEGA acquisition (Note 5)	6,740	3,050	350	10,140
Balance, December 31, 2016	6,740	3,050	350	10,140
Accumulated amortization				
Balance, December 31, 2015	-	-	-	-
Amortization expense	187	102	12	301
Balance, December 31, 2016	187	102	12	301
Net book value as at December 31, 2015	-	-	-	-
Net book value as at December 31, 2016	6,553	2,948	338	9,839

11. LONG-TERM DEBT

Long-term debt consists of the following as at:

	December 31, 2016	December 31, 2015
	\$	\$
Knight Loan – principal	6,841	-
Knight Loan – unamortized premium	1,323	-
	8,164	-
Less current portion	723	-
Long-term balance	7,441	-

On September 1, 2016, concurrent with the Company's acquisition of INTEGA, INTEGA entered into an amended and restated loan agreement (Knight Loan) with Knight Therapeutics Inc. (Knight) in which Crescita acts as the guarantor, supported by a letter of credit in the amount of \$8.6 million, providing an irrevocable right of payment to Knight in the event of default. In addition to the letter of credit, Crescita also entered into a cash collateral agreement for the amount of the letter of credit. These restricted funds are held as short-term investments and redeemable within one year. The loan was recorded at fair value upon initial measurement and subsequently accounted for at amortized cost using the effective interest method.

Principal payments commence January 1, 2017 and the loan matures on December 31, 2021. However, in the event certain financial covenants are not met, Knight 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%.

At the date of the acquisition, the fair value of the loan was \$8.3 million, which represented a premium of \$1.5 million. Amortization for the year ended December 31, 2016 represented \$0.1 million.

12. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	December 31, 2016	December 31, 2015
	\$	\$
Payable relating to a previous acquisition by INTEGA ⁽ⁱ⁾	1,972	-
Contingent Milestone Payments relating to the acquisition of INTEGA (Note 5)	63	-
Long-term consulting agreement from acquisition of non-controlling interest ⁽ⁱⁱ⁾	-	225
	2,035	225
Less current portion	1,000	190
Long-term balance	1,035	35

⁽ⁱ⁾ The amounts owing include the payments of \$1.0 million on each of January 22, 2017 and 2018. On the date of the acquisition of INTEGA, the fair value of these payments was determined to be \$2.0 million.

⁽ⁱⁱ⁾ In December 2011, the Company increased its ownership in Nuvo Research AG to 100% by acquiring the 40% interest held by the minority owner. The consideration transferred to the non-controlling interest included a five-year, US\$150 per annum consulting agreement with the former minority shareholder, discounted at 15.5% and fair valued at US\$519 (\$528). The Company paid this obligation in full as part of the terms of the sale of its German manufacturing operation (see Note 6, *Discontinued Operations*) in July 2016.

13. SHARE CAPITAL

Authorized

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

Issued and Outstanding

In connection with the Reorganization of Nuvo into two separate publicly traded companies and under the terms of the Arrangement (see Note 1, *Corporate Information*), each Nuvo share certificate existing on March 1, 2016 became a common share of Nuvo and the right to receive a Crescita common share.

The following table summarizes Crescita's outstanding common shares:

	Number	Amount
	000s	\$
Balance, December 31, 2015	-	-
Issued pursuant to the Arrangement	11,487	51,613
Issued on acquisition – initial payment (Note 5)	2,402	3,988
Issued upon option exercise	46	45
Outstanding shares balance, December 31, 2016	13,935	55,646
Future shares to be issued as consideration (Note 5)	470	779
	14,405	56,425

An additional 469,473 common shares, valued at \$0.8 million, are to be issued in 2017 as consideration for the acquisition of INTEGA (see Note 5, *Acquisition of INTEGA*).

The amount of Nuvo's net investment in Crescita at the effective date of the Arrangement was reclassified to share capital and deficit. To determine Crescita's share capital amount, Nuvo's stated capital immediately prior to the Arrangement was split based on the Butterfly Proportion of the Nuvo and Crescita common shares at the effective date of the Arrangement. Crescita's share capital amount was deducted from Nuvo's net investment and the remaining \$19.4 million was recognized as deficit.

The Butterfly Proportion was determined to be 78.18% for Nuvo and 21.82% for Crescita. The Butterfly Proportion is based on the VWAP of the Crescita common shares and the Post-Arrangement Nuvo common shares during the five-trading days during the period from March 7 to March 11.

14. SHARE-BASED COMPENSATION AND OTHER SHARE-BASED PAYMENTS

Prior to the effective date of the Arrangement, certain employees of Crescita participated in Nuvo's share-based compensation plans. During that period, share-based compensation expense had been allocated to Crescita primarily based on proportionate time spent on Crescita's and Nuvo's respective activities.

Nuvo's share-based compensation plans included the Nuvo Share Incentive Plan, the Nuvo Share Appreciation Rights Plan and the Nuvo DSU Plan. Under Nuvo's Share Incentive Plan, there were three sub-plans: the Nuvo Share Purchase Plan, the Nuvo Share Option Plan and the Nuvo Share Bonus Plan.

As part of the Arrangement, Crescita established its own share-based compensation plans: the Share Incentive Plan and the SARs Plan. Under the Crescita Share Incentive Plan, there are three sub-plans: the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan.

The following is a summary of share-based compensation activity for the years ended December 31, 2016 and 2015:

Share Incentive Plan

Under the Company's Share Incentive Plan, there are three sub-plans: the Share Option Plan, the Share Purchase Plan and the Share Bonus Plan. The maximum number of common shares that may be issued under the Share Incentive Plan is 15% of the total number of outstanding common shares from time-to-time. The common shares that may be issued under the plan are allocated to the three sub-plans as follows: the Share Option Plan 10%, the Share Purchase Plan 3% and the Share Bonus Plan 2%. This allocation of the maximum percentage among the three sub-plans shall be determined by the Board of Directors (or a committee thereof) from time-to-time (provided that the maximum number of common shares that may be issued under the Share Bonus Plan shall not exceed a fixed number of common shares equal to 3% of the number of common shares outstanding immediately following the Arrangement, which is 344,615).

As the Share Incentive Plan is a "rolling plan", the TSX requires that it, along with any unallocated options, rights or other entitlements, receive shareholder approval at the Company's annual shareholders meeting every three years. At the Special Meeting of Shareholders of Nuvo held on February 18, 2016, the common shareholders approved an ordinary resolution affirming, ratifying and approving the Crescita Share Incentive Plan and approving all of the unallocated common shares issuable pursuant to the Share Incentive Plan. As at December 31, 2016, the number of common shares available for issuance under the Share Incentive Plan was 736,756.

Share Option Plan

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

The following is a schedule of Nuvo's options outstanding immediately prior to the effective date of the Arrangement:

	Number of Options 000s	Range of Exercise Price \$	Weighted Average Exercise Price \$
Balance, December 31, 2015	751	1.96 - 24.05	6.18
Balance, February 29, 2016	751	1.96 - 24.05	6.18

Pursuant to the Arrangement, each Nuvo stock option issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement stock option issued by Nuvo and one Post-Arrangement stock option issued by Crescita. There was no incremental fair value associated with the replacement stock options.

The exercise price of each Post-Arrangement stock option issued by Crescita was determined by allocating the exercise price of the original Nuvo stock option between the Post-Arrangement stock option issued by Nuvo and the Post-Arrangement stock option issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement. The relative fair market value was determined using the Butterfly Proportion (see Note 13, *Share Capital*). The vesting schedule and the term that each Post-Arrangement stock option issued by Crescita may be exercised remains the same as the original Nuvo stock option it was exchanged for.

The following is a schedule of Crescita's options outstanding as at:

	Number of Options 000s	Range of Exercise Price \$	Weighted Average Exercise Price \$
Balance, February 29, 2016	-	-	-
Issued on Reorganization	751	0.43 - 5.25	1.35
Granted	1,026	1.23 - 1.83	1.64
Forfeited	(352)	0.74 - 1.83	1.64
Expired	(26)	0.43 - 5.25	1.58
Exercised	(46)	0.43 - 1.42	0.97
Balance, December 31, 2016	1,353	0.43 – 5.53	1.51

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options are valued with a calculated forfeiture rate of 7.0% [December 31, 2015 - 7.0%], and the remaining model inputs for options granted during the year ended December 31, 2016 were:

Options 000s	Grant Date	Share Price \$	Exercise Price \$	Risk-free Interest Rate %	Expected Life years	Volatility Factor %	Fair Values \$
850	May 16, 2016	1.63	1.63	0.67 - 0.80	2 - 5	102 - 131	1.04 - 1.20
128	September 6, 2016	1.79	1.83	0.57 - 0.60	2 - 5	101 - 147	1.04 - 1.31
18	September 29, 2016	1.63	1.65	0.57 - 0.60	1 - 3	106 - 129	1.08 - 1.20
30	December 20, 2016	1.23	1.23	0.69	1 - 3	114 - 171	0.74 - 0.83

The following table summarizes the outstanding and exercisable Crescita options held by directors, officers, employees and consultants as at December 31, 2016:

Exercise Price Range \$	Number of Options 000s	Outstanding		Exercisable	
		Remaining Contractual Life years	Weighted Average Exercise Price \$	Vested Options 000s	Weighted Average Exercise Price \$
0.43 - 0.74	244	7.3	0.66	159	0.60
1.21 - 1.42	216	5.6	1.33	197	1.35
1.63 - 1.91	843	7.6	1.70	188	1.89
3.12 - 3.55	50	3.2	3.16	49	3.16
	1,353	7.0	1.51	593	1.47

Share Purchase Plan

Under the Share Purchase Plan, eligible officers, employees or consultants of Crescita or its affiliates may contribute up to 10% of their annual base salary to the plan to purchase Crescita common shares. Crescita matches each participant's contribution by issuing Crescita common shares having a value equal to the aggregate amount contributed by each participating employee.

During 2016, Crescita's employees did not make any contributions to the Share Purchase Plan.

Share Appreciation Rights Plan

On October 30, 2013, Nuvo established the Nuvo SARs Plan for officers, employees or designated affiliates to provide incentive compensation based on the appreciation in value of Nuvo's common shares. Under the Nuvo SARs Plan, participants received, upon vesting, a cash amount equal to the difference between the SARs' fair market value and the grant price value, also known as the intrinsic value. Fair market value is determined by the closing price of Nuvo's common shares on the TSX on the day preceding the exercise date. SARs vested in tranches prescribed at the grant date and each tranche was considered a separate award with its own vesting period and grant date fair value. Until SARs vested, compensation expense was measured based on the fair value of the SARs at the end of each reporting period, using the Black-Scholes option pricing model. The fair value of the liability was revalued at the end of each reporting date and adjusted at the settlement date, when the intrinsic value was realized.

The following is a schedule of Nuvo's SARs immediately prior to the effective date of the Arrangement:

	Number of SARs 000s	Fair Values \$	Accrual \$
Balance, December 31, 2015	788	0.00 – 3.45	1,328
Vested	(293)	0.00 – 3.36	(654)
Adjustment to market value	-	-	255
Balance, February 29, 2016	495	0.72 – 4.47	929

Pursuant to the Arrangement, each Nuvo SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. The exchange of these SARs has been accounted for as a modification. There is no incremental fair value associated with the replacement SARs. The liability existing at the effective date of the Arrangement was allocated between Nuvo and Crescita based on the Butterfly Proportion (see Note 13, *Share Capital*). In addition, to the extent the holder of a replacement Crescita SAR did not have a Post-Arrangement service requirement to Crescita, the portion of the compensation relating to the award that was unamortized at the effective date of the Arrangement was immediately recognized as a charge to income.

The exercise price of each Post-Arrangement SAR issued by Crescita was determined by allocating the exercise price of the original Nuvo SAR between the Post-Arrangement SAR issued by Nuvo and the Post-Arrangement SAR issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement, using the Butterfly Proportion (see Note 13, *Share Capital*). The vesting schedule and the term of each Post-Arrangement SAR issued by Crescita may be exercised remains the same as the original Nuvo SAR it was exchanged for. The shareholders of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity-settled.

The following is a schedule of Crescita's SARs as at December 31, 2016:

	Number of SARs 000s	Fair Values \$	Accrual \$
Balance, February 29, 2016	-	-	-
Issued on Reorganization	495	0.16 - 0.98	203
Cancelled ⁽ⁱ⁾	(20)	0.77 - 1.46	(25)
Settled ⁽ⁱ⁾	(58)	0.77 - 1.46	(57)
Adjustment to market value	-	-	108
Balance, December 31, 2016⁽ⁱ⁾	417	0.00 - 0.81	229

⁽ⁱ⁾ During the year ended December 31, 2016, a SARs plan participant resigned from the Company. As a result, 58,480 SARs were settled and 19,566 SARs were cancelled.

As at December 31, 2016, a SARs accrual of \$0.2 million was included in Crescita's accounts payable and accrued liabilities [December 31, 2015 - \$0.6 million].

Fair values of each tranche issued and outstanding as at December 31, 2016 were measured using the Black-Scholes option pricing model with the following inputs:

SARs Outstanding 000s	Grant Date	Exercise Price \$	Risk-free Interest Rate %	Expected Life years	Volatility Factor %	Fair Values \$
128	October 30, 2013	0.41	0.69	1	167	0.77
134	April 4, 2014	0.74	0.69	1 - 2	167	0.44 - 0.81
155	January 7, 2015	1.58	0.69	1 - 3	127 - 167	0 - 0.68

Warrants

On September 1, 2016, as partial consideration for the acquisition of INTEGA, the Company issued 457,986 common share purchase warrants in exchange for INTEGA's outstanding warrants. Each warrant permits the holder thereof to acquire one Crescita common share at a price of \$2.44 per share at any time prior to its expiration date.

The following is a schedule of Crescita's warrants outstanding:

	Number of Warrants 000s	Range of Exercise Price \$	Weighted Average Exercise Price \$
Balance, February 29, 2016	-	-	-
Granted	458	2.44	2.44
Balance, December 31, 2016	458	2.44	2.44

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The model inputs for warrants granted during the year ended December 31, 2016 were as follows:

Options 000s	Grant Date	Share Price \$	Exercise Price \$	Risk-free Interest Rate %	Expected Life years	Volatility Factor %	Fair Values \$
293	September 1, 2016	1.66	2.44	0.97	7	42.5	0.56
165	September 1, 2016	1.66	2.44	0.76	3	42.5	0.28

Nuvo Deferred Share Unit Plan

Effective March 1, 2016, Crescita does not have a DSU Plan for directors or employees.

Directors

Under Nuvo's DSU Plan, non-employee directors could be allotted and elect to receive a portion of their annual retainers and other Board-related compensation in the form of DSUs. One DSU had a cash value equal to the market price of one of Nuvo's common shares and the number of DSUs issued to a director's DSU account for any payment was determined using the five-day VWAP of Nuvo's common shares immediately preceding the payment date.

Employees

Under Nuvo's employee DSU Plan, employees could elect to have a portion of their quarterly earnings issued in units of the DSU Plan. Consistent with non-employee directors, one DSU had a cash value equal to the market price of one of Nuvo's common shares. The number of units to be credited to an employee was calculated by dividing the elected portion of the compensation payable to the employee by the five-day VWAP of Nuvo's common shares immediately preceding the close of each quarter.

Upon issuance, the fair value of the DSUs was recorded as compensation expense and the DSU accrual was established. At all subsequent reporting dates, the DSU accrual was adjusted to the market value of the underlying shares and the adjustment was recorded as compensation cost. Within a specified time after retirement or termination, employees would receive a cash payment equal to the market value of their DSUs.

Each DSU issued and outstanding at the effective date of the Arrangement was exchanged for a Nuvo common share. This exchange occurred immediately prior to the indirect exchange of each Nuvo common share for one

Post-Arrangement Nuvo common share and one Crescita common share. All DSUs were fully vested at the effective date of the Arrangement.

Prior to the Arrangement, all costs related to the DSU Plans were allocations from Nuvo and the portion of Nuvo's liability related to Crescita was recorded in accounts payable and accrued liabilities [December 31, 2015 - \$526].

Summary of Share-based Compensation

Prior to March 1, 2016, Nuvo's corporate costs allocated to the Company included an amount representing share-based compensation expense. These allocated amounts are included in the following summary of Crescita's share-based compensation expense:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Stock option compensation expense	177	109
Shares issued to employees under Share Purchase Plan	-	12
DSUs – adjustment to market value	111	(181)
SARs compensation expense	232	188
Share-based compensation expense	520	128

Recorded in the Consolidated Statements of Loss and Comprehensive Loss as follows:

Research and development expenses	119	78
Selling, general and administrative expenses	401	50
Share-based compensation expense	520	128

Share-based compensation expense allocated from Nuvo totalled \$0.3 million for the period from January 1, 2016 to February 29, 2016.

15. NET LOSS PER COMMON SHARE

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

	Year ended December 31, 2016	Year ended December 31, 2015
	000s	000s
Common shares issued and outstanding (Note 13)	13,935	11,145
Stock options outstanding (Note 14)	1,354	751
SARs liability ⁽ⁱ⁾ (Note 14)	417	-
Warrants (Note 14)	458	65
	16,164	11,961

⁽ⁱ⁾ The shareholders of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity settled.

Under the terms of the Arrangement (see Note 2, *Basis of Presentation*), Crescita issued 11.5 million common shares on March 1, 2016. Prior to the Arrangement, the Company used Nuvo's weighted average number of common shares outstanding to compute net loss per common share.

16. EXPENSES BY NATURE

The Consolidated Statements of Loss and Comprehensive Loss include the following expenses by nature:

(a) Employee costs from continuing operations:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Short-term employee wages, bonuses and benefits	4,820	2,994
Share-based payments (Note 14)	520	32
Post-employment benefits	25	26
Termination benefits	590	107
Total employee costs	5,955	3,159
Included in:		
Cost of goods sold	303	-
Research and development expenses	1,197	1,076
Selling, general and administrative expenses	4,455	2,083
Total employee costs	5,955	3,159

(b) Depreciation and amortization from continuing operations:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Selling, general and administrative expenses ⁽ⁱ⁾	382	13
Total depreciation and amortization	382	13

⁽ⁱ⁾ SG&A expenses included \$301 of amortization of intangible assets for the year ended December 31, 2016 [December 31, 2015 - \$nil].

17. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consisted of the following:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Accounts receivable	(508)	75
Inventories	460	(66)
Other current assets	(1,226)	383
Accounts payable and accrued liabilities	(1,376)	773
Net change in non-cash working capital	(2,650)	1,165

18. INCOME TAXES

Deferred Tax Assets and Liabilities

(a) Recognized deferred tax assets (liabilities)

	Year Ended December 31, 2016 Restated (Note 24) \$	Year Ended December 31, 2015 \$
Canadian non-capital loss carryforwards	1,716	-
Canadian property plant and equipment	(59)	-
Long-term debt	354	-
Share Issuance costs	134	-
Inventory	(99)	-
Intangible assets	(2,046)	-
Net deferred tax asset (liability)	-	-

(b) Unrecognized deductible temporary differences

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following represents deductible temporary differences that have not been recognized in these Consolidated Financial Statements:

	Year Ended December 31, 2016 Restated (Note 24) \$	Year Ended December 31, 2015 \$
U.S. Non-capital loss carryforwards	41,476	39,725
U.S. federal and state research and development credits	4,602	4,743
Unrealized foreign exchange loss on account of capital	705	-
Canadian Non-capital loss carryforwards	9,406	-
Tax basis of property, plant and equipment and intangible assets in excess of (less than) accounting value	2,871	54
Canadian property, plant and equipment	66	-
Share issuance cost	148	-
Deductible temporary differences not recognized	59,274	44,522

The purchase price allocation on the INTEGA Acquisition (Note 5, Acquisition of INTEGA) resulted in intangible assets of \$10.1 million which are not deductible for income tax purposes. Intangible assets consists of customer relationships, product brands, formulations and a license agreement. A net deferred tax asset (liability) of \$nil has been recorded based on the fair values assigned to intangible assets, inventory, property, plant and equipment, share issue costs and the Knight loan and the recognition of the benefit of unused tax losses of INTEGA.

A reconciliation between the Company's statutory and effective tax rates is presented below:

	Year Ended December 31, 2016 Restated (Note 24) %	Year Ended December 31, 2015 %
Statutory rate	26.5	26.5
Items not deducted for tax	(3.0)	(0.5)
Impact of foreign income tax rate differential	1.3	1.5
Losses and other deductible temporary differences not benefited	(22.8)	(27.5)
	2.0	-

Loss Carryforwards

The legal entities comprising Crescita have non-capital losses available for carryforward to reduce future years' taxable income. These losses by jurisdiction are as follows:

	Expiry Period	Non-capital losses Restated (Note 24) \$
United States	2025	27
United States ⁽ⁱ⁾	2023 to 2029	8,838
United States	2026 to 2036	32,611
Canada	2032 to 2036	15,867
		57,343

⁽ⁱ⁾ These U.S. losses carried forward relate to the unrestricted portion of the losses acquired upon the purchase of ZARS in 2011. The Company has US\$34.3 million of U.S. losses carried forward relating to the portion of the acquired losses that are restricted due to the change in control and therefore are not included in the table.

Losses arising in entities included in Discontinued Operations (Note 6, *Discontinued Operations*) have not been previously recognized by the Company and are not disclosed as these have no future benefits.

The non-capital losses and related deferred tax assets reported in the table above represent amounts reported for tax purposes by the legal entities comprising Crescita and, accordingly, both (a) exclude costs reported in these Consolidated Financial Statements that were reported for tax purposes by Nuvo, and (b) include costs reported for tax purposes by the legal entities comprising Crescita.

19. COMMITMENTS

The Company has purchase commitments and minimum future rental payments under operating leases for the twelve months ending December 31 as follows:

	Purchase Obligations \$	Operating Leases \$	Total \$
2017	1,625	565	2,190
2018	2,026	408	2,434
2019	2,459	397	2,856
2020 and thereafter	3,195	1,507	4,702
	9,305	2,877	12,182

For the year ended December 31, 2016, payments under operating leases totalled \$0.4 million [December 31, 2015 - \$0.2 million]. These payments include a portion of Nuvo's corporate office lease during the carve-out period which had been allocated to the Company prior to March 1, 2016.

Guarantees

The Company periodically enters into research, licensing, distribution or supply agreements with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party intellectual property claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions generally survive termination of the underlying agreements. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in these Consolidated Financial Statements with respect to these indemnification obligations.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of the Company's current financial assets and liabilities approximate their carrying amounts due to the short period to maturity of these instruments.

The fair values of the Company's non-current obligations have been estimated using rates currently available to the Company for obligations with similar terms and remaining maturities. The fair values of these instruments approximate their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - determined by reference to quoted prices in active markets for identical assets and liabilities.

Level 2 - include those where valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.

Level 3 - valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The following table provides the fair value measurement hierarchy of the financial instruments measured at fair value subsequent to initial recognition in the Consolidated Statements of Financial Position as at:

	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements						
Contingent Milestone Payments relating to the acquisition of INTEGA (Note 5)	-	-	63	-	-	-
SARs (Note 14)	-	229	-	-	565	-
DSUs (Note 14)	-	-	-	526	-	-

Valuation methods and assumptions

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2016 and 2015.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Prior to their settlement as part of the Arrangement, Level 1 liabilities included obligations of the Company for the DSUs described in Note 14, *Share-based Compensation and Other Share-based Payments*. One DSU had a cash value equal to the market price of one of Nuvo's common shares. The Company revalued the DSU liability each reporting period using the market value of the underlying shares.

Level 2 liabilities include obligations of the Company for the SARs Plan described in Note 14, *Share-based Compensation and Other Share-based Payments*. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model.

Level 3 liabilities include obligations of the Company for the Milestone Payments relating to the acquisition of INTEGA described in Note 5, *Acquisition of INTEGA*. The fair value of the contingent consideration is revalued at each reporting period based on management's best estimate of the probability of achieving the Milestones, using an appropriate discount rate. A significant increase (decrease) in the probability of achieving a Milestone would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. During the year ended December 31, 2016, the fair value of the Milestone Payments decreased and the changes are reflected in the results of operations for the year.

Risk Factors

The following is a discussion of liquidity, credit and market risks and related mitigation strategies that have been identified. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk

Prior to the Reorganization, the Company was economically dependent on, and has historically relied on, Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo transferred \$35.0 million of cash to the Company to provide working capital. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions.

The Company has purchase commitments and minimum future rental payments under operating leases of \$2.2 million that are due in less than one year and \$10.0 million that is payable from 2018 to 2023.

The Company's exposure to liquidity risk is dependent on the sales growth and profitability of INTEGA which will be impacted by the status of competitive products and the success of the Company in developing and maintaining markets for its products. In addition, a number of other factors will have an impact to liquidity risk including the level of research and development (R&D) expenditures for product candidates, costs associated with maintaining regulatory approvals, the timing of payments received or made under licensing arrangements and the acquisition costs of licenses for new products or technologies.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash and amounts receivable from global customers. The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions. The Company, in the normal course of business, is exposed to credit risk from its global customers. The accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. In addition, the Company is exposed to credit-related losses on sales to its customers outside North America due to potentially higher risks of enforceability and collectability.

As at December 31, 2016, 9% of accounts receivable related to customers outside North America and the E.U. [December 31, 2015 - 68%].

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

	December 31, 2016	December 31, 2015
	\$	\$
Current	476	188
0-30 days past due	783	7
31-60 days past due	235	-
61-90 days past due	143	-
Over 90 days past due	42	-
	1,679	195

As at December 31, 2016, the allowance for doubtful accounts receivable was \$0.1 million [December 31, 2015 - \$nil].

Interest Rate Risk

The Company's long-term debt 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%.

Currency Risk

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

	Euros		U.S. Dollars	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	€	€	\$	\$
Cash	50	153	1,680	156
Accounts receivable	-	85	66	49
Other current assets	126	2	90	-
Accounts payable and accrued liabilities	(51)	(864)	(522)	(274)
Other short-term obligations	(4)	-	(35)	(162)
	121	(624)	1,279	(231)

Based on the aforementioned net exposure as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of \$0.2 million on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of \$17 on total comprehensive loss.

In terms of the euro, the Company had one significant exposure: its net investment and net cash flows in its European operations, which have now been discontinued (see Note 6, *Discontinued Operations*). In terms of the U.S. dollar, the Company has four significant exposures: its net investment and net cash flows in its U.S. operations, its product sales to U.S. customers, royalties from licensing agreement with Galderma S.A. (Galderma) regarding Pliaglis and the cost of running trials and other studies at U.S. sites.

The Company does not actively hedge any of its foreign currency exposures given the relative risk of currency versus other risks the Company faces and the cost of establishing the necessary credit facilities and purchasing financial instruments to mitigate or hedge these exposures. As a result, the Company does not attempt to hedge its net investments in foreign subsidiaries.

21. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue the Company's development plans for each of its drug candidates and to maintain its ongoing operations. Product revenues from the Company's approved drug products are not yet significant enough to fund ongoing operations. As a result, to secure the capital necessary to pursue its development plans and fund ongoing operations, the Company will need to raise additional funds through the issuance of debt or equity, by entering into distribution and license agreements or by entering into co-development agreements.

The Company currently defines its capital to include its cash, common shares and contributed surplus. In the past, the Company has financed its operations primarily through funding provided by Nuvo.

The Company was economically dependent on and has historically relied on Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo invested \$35.0 million of additional funds in the Company to provide working capital. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional

funding may be required for the development of new products and/or for future acquisitions. Unexpected increases in Crescita's costs and expenses due to operational decisions by Crescita and/or factors beyond Crescita's control could cause its cash resources to be depleted and profitability will not be achieved.

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its BAR with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, Crescita may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations.

22. SEGMENTED INFORMATION

Prior to the acquisition of INTEGA, the TPT Group had one commercial product: Pliaglis, a topical local anaesthetic cream that provides safe and effective local dermal anaesthesia on intact skin prior to superficial dermatological procedures, such as dermal filler injections, pulsed-dye laser therapy, facial laser resurfacing and laser-assisted tattoo removal. The Company owns the commercial rights in the U.S., Canada and Mexico and has licensed worldwide marketing rights to Galderma. Pliaglis is approved for sale and marketing in the U.S., Canada and Mexico, as well as multiple European, South America and Asian countries. Galderma launched the commercial sale and marketing of Pliaglis in the U.S. and multiple countries in the E.U. in 2013, South America in 2014 and Canada in 2015. In December 2015, the Company reacquired the Pliaglis development and marketing rights from Galderma for the U.S., Canada and Mexico. The TPT Group has a pipeline of products to treat a variety of therapeutic areas with a focus on dermatology and pain.

The acquisition of INTEGA provides the TPT Group a revenue-generating, fully integrated commercial skincare business and manufacturing facility. The Company owns the worldwide distribution rights to INTEGA's well-known and established skincare brands: Laboratoire Dr Renaud, Pro-Derm, Premiology and ISDIN.

As a result of discontinuing the operations of the Immunology Group (see Note 6, *Discontinued Operations*), the Company now operates in one segment.

Geographic Information

The Company's revenue is derived from sales to and licensing revenue from external customers located in the following geographic areas:

	December 31, 2016	December 31, 2015
	\$	\$
Canada	2,672	2
Europe	576	114
Other foreign countries	248	58
U.S.	8	54
	3,504	228

As at December 31, 2016, all the Company's PP&E was located in Canada.

23. RELATED PARTY TRANSACTIONS

Prior to the completion of the Arrangement on March 1, 2016, Nuvo was considered a related party due to its parent-subsidiary relationship with the Crescita entities.

Corporate Cost Allocation

Prior to March 1, 2016, these financial statements include corporate expenses allocated from Nuvo's corporate office. General corporate expense allocations represent costs related to corporate functions such as executive oversight, risk management, accounting, legal, investor relations, human resources, tax and other services. Expense allocations also include costs for certain compensation-related items such as share-based compensation that Nuvo provides to certain employees of the Company.

Corporate cost allocations that are reflected in SG&A expenses and R&D expenses totalled \$2.2 million and \$0.2 million for the period from January 1, 2016 to February 29, 2016 [SG&A - \$5.8 million and R&D - \$0.3 million for the year ended December 31, 2015].

The Company and Nuvo considered these general corporate expense allocations to be a reasonable reflection of the underlying nature of the operations of these entities and of the utilization of services provided. The allocations may not, however, reflect the expense the Company would have incurred as a stand-alone company. Actual costs which may have been incurred if the Company had been a stand-alone public company prior to March 1, 2016 would depend on a number of factors, including how the Company chose to organize itself, what if any, functions were outsourced or performed by the Company's employees and strategic decisions in areas such as infrastructure.

Transitional Services Agreement

Effective March 1, 2016, Nuvo and Crescita entered into a reciprocal transitional services agreement (TSA) with a term of 18 months. Under the TSA, (a) Nuvo provides corporate-level employee services, quality assurance support and facility rental, and (b) Crescita provides Nuvo corporate-level employee services, R&D and legal support, and facility and equipment rental.

Effective September 12, 2016, the Chief Financial Officer transition services agreement between Nuvo and Crescita was terminated.

The following is a summary of the transactions between Nuvo and Crescita for the period April 1, 2016 to December 31, 2016:

	Year Ended December 31, 2016
	\$
Transactions under the transitional services agreement:	
Services provided to Nuvo	359
Services received from Nuvo	312

After March 1, 2016, both Nuvo and Crescita paid for certain costs on behalf of the other company, as necessary, to facilitate the separation of the Nuvo and Crescita accounting functions. As at December 31, 2016, Crescita recognized a net receivable of \$0.1 million due from Nuvo resulting from services provided and costs to be reimbursed between the companies during the transition. The Company is in the process of revising the TSA which will impact the services revenue for the remaining term.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors. Key management includes four executive officers and five non-employee directors. Compensation for the Company's key management personnel was as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Short-term wages, bonuses and benefits	1,288	839
Share-based payments	481	7
Total key management compensation	1,769	846
<i>Included in:</i>		
Research and development expenses	100	(27)
General and administrative expenses	1,669	873
Total key management compensation	1,769	846

24. RESTATEMENT

The Company restated its December 31, 2016 consolidated financial statements in order to correct for deferred taxes associated with the INTEGA Acquisition. Previously, the losses recognized to offset the deferred tax liability associated with the fair value of the intangible assets were recognized through net income rather than through the purchase equation.

The effects of the adjustments to the consolidated financial statements are presented below. The adjustments had no effect on the previously reported amounts of net cash flows from operating activities, investing activities or financing activities. The adjusted line items are as follows:

As at December 31, 2016	Previously reported	Adjustments	As adjusted
	\$	\$	\$
<i>Consolidated Statement of Financial Position</i>			
Goodwill	7,997	(1,802)	6,195
Deficit	(31,140)	(1,802)	(32,942)
<hr/>			
For the year ended December 31, 2016	Previously reported	Adjustments	As adjusted
	\$	\$	\$
<i>Consolidated Statement of Loss and Comprehensive Loss</i>			
Income tax recovery	(2,097)	1,802	(295)
Net loss from continuing operations	(12,702)	(1,802)	(14,504)
Net loss	(14,948)	(1,802)	(16,750)
Total comprehensive loss	(14,843)	(1,802)	(16,645)
Net loss per common share from continuing operations (basic & diluted)	(1.04)	(0.14)	(1.18)

25. SUBSEQUENT EVENT

On April 21, 2017, the Company entered into a development and commercialization license agreement (the Agreement) with Taro Pharmaceuticals Inc. (Taro), the Canadian subsidiary of Taro Pharmaceutical Industries Ltd. Under the terms of the Agreement, Crescita has granted Taro an exclusive license to the rights to sell and distribute Pliaglis in the U.S. market and for a second-generation enhanced version with patent pending (the Enhanced Formulation). In consideration of the rights granted under the Agreement, Taro will make the following payments to Crescita: an upfront payment of US\$2.0 million, up to US\$5.75 million in non-dilutive development and sales milestone payments and tiered royalties on net sales of products licensed under the Agreement. In addition, Crescita and Taro entered into a fee-for-service development agreement, whereby, the Company will provide services related to further development of Pliaglis and the Enhanced Formulation and will receive fees based on services performed. Crescita retains all rights to Pliaglis in Canada and Mexico.

Restated Management's Discussion and Analysis (MD&A) (As of May 15, 2017)

May 15, 2017 / The following information should be read in conjunction with the Crescita Therapeutics™ Inc. (Crescita or the Company) Restated Consolidated Financial Statements for the year ended December 31, 2016 which were prepared in accordance with International Financial Reporting Standards (IFRS) and filed on SEDAR May 15, 2017. Additional information relating to the Company, including its Annual Information Form (AIF) and the Management Information Circular of Nuvo Research Inc. (Nuvo) dated December 31, 2015 (Nuvo Reorganization Circular), can be found on SEDAR at www.sedar.com.

All amounts in the Restated MD&A, Restated Consolidated Financial Statements and related Notes are expressed in Canadian dollars, unless otherwise noted.

Forward-looking Statements

Certain statements in this MD&A constitute forward-looking information and/or forward-looking statements (collectively, forward-looking statements) within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to Crescita's future governance plans and the expected benefits of the transaction to Crescita's shareholders. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "should" or "plans", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to, general business and economic uncertainties and adverse market conditions; uncertainties related to Crescita's ability to realize the anticipated benefits of the acquisition; the expected future attributes and success of Crescita and INTEGA Skin Sciences (INTEGA); the successful execution of Crescita's and INTEGA's priorities and strategies; the reliability of Nuvo's historical financial information as an indicator of Crescita's historical or future results; as well as other risk factors included in Nuvo's Management Information Circular dated December 31, 2015 (the Reorganization Circular) and the most recent Crescita Annual Information Form dated March 29, 2017 under the heading "Risks Factors", and as described from time-to-time in the reports and disclosure documents filed by Crescita with Canadian securities regulatory agencies and commissions. These and other factors should be considered carefully and readers should not place undue reliance on Crescita's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and none of Crescita, INTEGA or any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this MD&A and, except as required by applicable law, Crescita undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview

Background

Crescita is a publicly traded, Canadian commercial dermatology company with a portfolio of non-prescription skincare products and prescription drug products for the treatment and care of skin conditions and diseases and their symptoms. Crescita owns multiple proprietary drug delivery platforms that support the development of patented formulations that can facilitate the delivery of active drugs into or through the skin.

On March 1, 2016, Nuvo completed a transaction (the Reorganization) pursuant to which Nuvo was reorganized into two separate publicly traded companies, Nuvo and Crescita. The Reorganization proceeded by way of arrangement under the *Canada Business Corporations Act* (the Arrangement). As part of the

Reorganization, Nuvo Research Inc. changed its name to “Nuvo Pharmaceuticals Inc.” Detailed information regarding the Reorganization and its effects, including a description of certain risks and uncertainties in respect of the Reorganization and the operations of Nuvo and Crescita as separate publicly traded companies, are included in the Management Information Circular of Nuvo dated December 31, 2015.

As of December 31, 2016, the Company and its subsidiaries employed a total of 81 full-time employees at its head office in Mississauga, Ontario and a manufacturing and research and development (R&D) facility in Laval, Québec.

Growth Strategy

The Company’s management and Board of Directors made the decision to pursue a strategy to transform Crescita from an R&D focused company into a dermatology company with an emphasis on commercially advanced non-prescription skincare markets and prescription drug products. This strategy would allow Crescita to leverage its skin penetration technology, as well as an approved topical product and to mitigate risks by pursuing already approved products in the non-prescription skincare market. As a result of this change in focus on September 1, 2016, Crescita completed the acquisition of INTEGA (INTEGA Acquisition). Management believes the INTEGA Acquisition provides the Company with a number of benefits including:

- A revenue-generating, fully integrated commercial skincare business, manufacturing facility, and the capability to market non-prescription skincare products through established distribution channels;
- Global distribution rights to well-known and established skincare brands: Laboratoire Dr Renaud™, Pro-Derm™, Premiology® and Canadian rights for the ISDIN® line;
- A commercial infrastructure capable of promoting its prescription drug Pliaglis in Canada;
- The ability to leverage its topical delivery technologies and combine its current lab facilities with those of INTEGA, for the development of potential new non-prescription skincare products; and
- The vehicle to leverage its business development capabilities to out-license INTEGA owned brands outside Canada, including the U.S., Asia and South America.

The Company’s growth strategy includes the potential acquisition of skincare companies in order to leverage its current infrastructure and build a large, profitable and successful North American skincare company serving both the non-prescription and prescription markets. The Company is also assessing in-licensing opportunities related to new products.

Crescita continues to evaluate strategies to optimize its sales of Pliaglis in Canada, the United States and Mexico.

Acquisition of INTEGA

On September 1, 2016, the Company acquired 100% of the equity of INTEGA, a private company located in Laval, Québec, that develops, manufactures, sells and markets science-based quality non-prescription skincare products.

The Company paid for a portion of the purchase through the issuance of 2,402,314 Crescita common shares at a price of \$1.66 per share (representing approximately 17.3% of Crescita's outstanding common shares post-issuance). The balance of the purchase price, other than conditional consideration, will be paid within 30 days following Crescita's next annual shareholders meeting, which is expected to be held in the second quarter of 2017. Subject to obtaining the approval of Crescita's shareholders at its next annual meeting, all or a portion of the balance of the purchase price will also be paid through the issuance of Crescita common shares. Conditional consideration up to an additional \$2.0 million in milestones is payable if certain financial targets are achieved by INTEGA in 2016 and 2017. The conditions of the first milestone payment based on 2016 financial performance were not met and the first potential \$1.0 million payment will not be paid. 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 Crescita common share at a price of \$2.44 per share. On September 1, 2016, concurrent with the Company’s acquisition of INTEGA, INTEGA entered into an amended

and restated loan agreement (Knight Loan) with Knight Therapeutics Inc. (Knight) in which Crescita acts as the guarantor, supported by a letter of credit in the amount of \$8.6 million, providing an irrevocable right of payment to Knight in the event of default. On closing, the Company also repaid a bridge loan to Knight in the amount of \$3.1 million.

Discontinued Operations

In July 2016, the Company sold its German manufacturing operation that produced the active ingredient in WF10™ and Oxoferin™ and the intellectual property related to WF10 for nominal proceeds to Dr. Friedrich-Wilhelm Kuehne (the former minority interest partner). In addition, under the terms of the agreement, the balance of Dr. Kuehne's consulting fees were paid in full. The Company ceased to earn product revenue from the Immunology Group subsequent to July 11, 2016. During the second half of 2016, the Company commenced the wind-down of the Immunology Group operations and expects this process to be completed by early 2018.

The information presented herein reflects the wind-down of the Immunology Group. The operating results have been restated to reflect the Immunology Group as a discontinued operation.

The Company has historically reported two operating segments: the Topical Products and Technology (TPT) Group and the Immunology Group. As a result of reporting the Immunology Group as a discontinued operation, the Company is reporting the entire business as one segment.

Products

Non-Prescription Skincare Products

Laboratoire Dr Renaud

The Laboratoire Dr Renaud skincare line joins science and aesthetics to develop and manufacture personalized solutions to address daily challenges – aging, acne, rosacea, pigmentation, dehydration and sensitivity. The product line was founded in France in 1947 by Dr. Louis Raymond Renaud and became a Canadian company, based in Montreal, in 1963. The Laboratoire Dr Renaud skincare products are sold exclusively to certified aestheticians, in spas and aesthetic schools. Crescita owns the trademark rights for the skincare line in North America, South America and the Pacific Rim and the worldwide rights for the formulation.

Pro-Derm

Pro-Derm is a line of high-quality cosmeceutical products sold to physicians operating through medispas and medicalized clinics. Pro-Derm products are used in conjunction with anti-aging medical procedures -both pre and post-treatment, such as dermal filler injections for lines and wrinkles, facial peels, laser treatments, aesthetic surgery and also to prevent the negative effects of skin aging. Developed by a Canadian team of chemists and a dermatologist, the products are designed to achieve and maintain beautiful skin and to optimize cosmetic procedures offered by physicians. By offering high levels of clinically proven effective ingredients, Pro-Derm combines the benefits of both cosmetic and pharmaceutical products. Crescita owns the worldwide sales and marketing rights for Pro-Derm.

Premiology

Premiology is a high-end premium anti-aging skincare line targeted to consumers 35 years of age and over. The formulations contain a high performing combination of HA4 Technology (4 types of hyaluronic acids) and unique active ingredients to deliver targeted actions and results. Crescita owns the worldwide sales and marketing rights for Premiology.

ISDIN

ISDIN is the market leader in skincare in Spain and was formed in 1975 through a joint venture between Esteve and Puig. ISDIN's focus is to offer a complete range of innovative dermatology solutions to consumers with the highest quality standards and strong clinical evidence. ISDIN is well established in Europe, Latin America

and Asia with more than 14 brand families and a leading consumer market position in skin categories like hydration, sun care, atopic dermatitis, baby skin, acne and women's health and sun damage repair. INTEGA has the exclusive rights to market and sell ISDIN products in Canada. The trademark is owned by ISDIN S.A. and is being used under license by INTEGA.

Prescription Drug Products

Pliaglis

Pliaglis is a topical local anaesthetic cream that provides safe and effective local dermal analgesia on intact skin prior to superficial dermatological procedures, such as dermal filler injection, pulsed dye laser therapy, facial laser resurfacing and laser-assisted tattoo removal. This product consists of a proprietary formulation of lidocaine and tetracaine that utilizes proprietary phase-changing topical cream Peel technology. The Peel technology consists of a drug-containing cream which, once applied to a patient's skin, dries to form a pliable layer that releases drug into the skin. Pliaglis should be applied to intact skin for 20 to 30 minutes prior to superficial dermatological procedures and for 60 minutes prior to laser-assisted tattoo removal. Following the application period, Pliaglis forms a pliable layer that is easily removed from the skin allowing the dermatological procedure to be performed with minimal to no pain.

Except as described below, Galderma Pharma S.A. (Galderma), a global pharmaceutical company specialized in dermatology, holds the worldwide sales and marketing rights for Pliaglis. In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico. Under the terms of the agreement, Nuvo paid Galderma 125,000 Swiss Francs (\$174,000) and Crescita will pay an additional 125,000 Swiss Francs (approximately \$169,000) upon transfer of certain rights and documents. Crescita has accrued \$169,000, in accordance with the agreement which is included in selling general and administrative (SG&A) expenses for the year ended December 31, 2016. Beginning in 2021, Crescita has the right to reacquire the Rest of World (ROW) rights on a country-by-country basis without additional compensation if Galderma does not achieve minimum sales targets. Galderma will continue to market Pliaglis in the U.S. and Canada and pay a royalty on net sales during a transition period. Crescita will receive a fixed single-digit royalty on net sales in the territories outside of North America where Galderma still owns the development and marketing rights. Galderma is responsible for manufacturing Pliaglis.

Pliaglis is approved for sale and marketing in the U.S., Canada and Mexico, as well as multiple European, South America and Asian countries. In Argentina, Pliaglis has been sold and marketed since 2011. Galderma launched the commercial sale and marketing of Pliaglis in the U.S. and in the E.U. in 2013, in Brazil in March 2014 and in Canada in 2015. In the E.U., the regulatory approval required a post-approval commitment study, the cost of which was shared equally by Galderma and the Company. The Company understands that Galderma is seeking approvals in additional countries. However, there can be no assurance that any such approvals will be obtained or the timing thereof. The Company plans to out-license Pliaglis marketing rights in the U.S. to a new corporate partner, however there can be no assurance that out-licensing will be successfully completed. The preferred commercial distribution pathway for Pliaglis in Canada and Mexico is also being evaluated and will be determined in the first half of 2017.

The Company is obligated to pay royalties to two companies for 1% and 1.5% of net sales of Pliaglis.

Flexicaine

Flexicaine is a new topical anesthetic formulation containing lidocaine and tetracaine (7%/7%) that possesses improved application and removal properties along with extended patent protection (through 2031), as compared to Pliaglis. Flexicaine was intended to be developed for the topical treatment of pain conditions such as post herpetic neuralgia or diabetic peripheral neuropathy, but due to the chronic nature of these diseases, the U.S. Food and Drug Administration (FDA) required extensive additional studies to be performed for these indications. The Company anticipates that the New Drug Application (NDA) for Pliaglis will be transferred from Galderma to Crescita in the second quarter of 2017.

MiCal 1 and MiCal 2

In April 2014, Nuvo entered into a collaboration agreement with MiCal - a joint venture between Ferndale and a leading contract research company (CRO) (Ferndale Collaboration) - to develop two topical dermatology

products based on the Company's patented multiplexed molecular penetration enhancers (MMPE) technology. Under the terms of the collaboration agreement, the Company will utilize its proprietary MMPE technology to formulate two patented topical dermatology product candidates. Once the formulations are complete, Ferndale, in collaboration with the CRO, will oversee and fund the formulations' advancement through Phase 2 clinical studies. It is anticipated that the product candidates will then be made available for out-licensing.

The first MiCal product (MiCal 1) is a topical formulation utilizing a corticosteroid in combination with the Company's patented MMPE technology to treat psoriasis. A lead formulation has been identified and successfully tested in a vasoconstrictor assay test. A Phase 2 study on MiCal 1 was initiated in early 2017 by a leading U.S.-based CRO. Results are expected later in 2017.

The second MiCal product (MiCal 2) is a topical formulation utilizing the Company's patented MMPE technology to treat a dermatological skin condition. MiCal 2 is still under development and an Investigational New Drug (IND) application is expected to be filed by the end of 2017 once a lead formulation has been identified.

Pipeline Products

Non-Prescription Skincare Products

The non-prescription skincare business requires that the product lines be rejuvenated from time-to-time with new product offerings. Crescita has established a multi-disciplinary R&D Product Committee that screens and identifies new products to be developed. These new products are selected based on a number of criteria primarily driven by reviewing sales and marketing trends, but also include regulatory, manufacturing and cost considerations. The products under development are usually kept confidential for competitive reasons.

Prescription Products

Crescita has a portfolio of development stage products and proprietary platform technologies, which include MMPE and DuraPeel™.

The following table summarizes the Company's key prescription product candidates.

Product	Therapeutic Area	Stage of Development	Intellectual Property ²
Flexicaine	Local anesthesia prior to cosmetic dermatology procedures	TBD	Patents granted in AU, CA, CN, HK, JP, MX, RU and the U.S. ³ with latest expiring in 2031. Applications allowed in CA and EP and pending in 5 countries including U.S. Latest anticipated expiry date is 2031.
MiCal 1 ¹	Psoriasis	Phase 2	Patents allowed and granted in the U.S. expiring in 2027. Patent pending through 2036.
MiCal 2 ¹	Dermatological skin treatment	Preclinical	Patents allowed and granted in the U.S. expiring in 2027. Patent pending through 2036.

1. MiCal 1 and 2 are products being developed under the Ferndale Collaboration.

2. Region and country abbreviations defined as follows: Australia (AU), Canada (CA), China (CN), Europe (EP), Hong Kong (HK), Japan (JP), Mexico (MX), Russian Federation (RU), United States (U.S.).

3. U.S. patent is directed to treatment of neuropathic pain.

Technology

Crescita has multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The most significant platforms include:

DuraPeel

The DuraPeel technology is a self-occluding, film-forming cream/gel formulation that provides extended release delivery to the site of application. The cream/gel contains a drug applied to a patient's skin forming a pliable layer that releases drug into the skin for up to 12 hours. The benefits of the DuraPeel technology include proven compatibility with a variety of active pharmaceutical ingredients (APIs). Self-occluding film reduces product transference risk, fast drying time and easy application and removal and application to large

and irregular skin surfaces. Patents have been issued in Australia, Canada, China, Japan and the U.S. with the latest expiry in 2027. Patent applications are pending in Europe and allowed in the U.S.

MMPE

The MMPE technology uses synergistic combinations of pharmaceutical excipients included on the FDA's Inactive Ingredient Guide for improved topical delivery of actives into or through the skin. The benefits of this technology include the potential for increased penetration of APIs with the possibility of improved efficacy, lower API concentration and/or reduced dosing. Issued U.S. patents provide intellectual property protection through March 6, 2027.

Capability to Deliver Results

The Company will need to spend considerable resources to research, develop and manufacture its products and technologies. Crescita may finance these activities through: existing cash, revenue generated by product sales to its customers and royalties, licensing and co-development agreements for other new drug candidates or its existing products in territories where they are not currently licensed, by raising funds in the capital markets or by incurring debt.

Crescita is dependent on its customers and commercial partners for the sale and marketing of its products in their respective territories.

Crescita believes that it has appropriate in-house personnel with the experience and expertise to market and sell its existing products and to develop its pipeline. To execute the current business plan, Crescita may selectively add key personnel and in the future, may need to hire additional staff as activities expand. In addition, market acceptance of the Company's products by consumers, physicians or patients will depend on distribution channels (i.e. pharmacies, retail chains) accepting the product for sale.

Litigation

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

Liquidity

Crescita was economically dependent on, and had historically relied on, Nuvo for funding to support its operations. On March 1, 2016, the Reorganization was completed and Crescita received \$35.0 million from Nuvo to fund its operations.

Crescita has incurred significant losses to-date. As at December 31, 2016, Crescita had an accumulated deficit of \$32.9 million, including a net loss of \$16.8 million in 2016. As at December 31, 2016, the Company had cash, cash equivalents and short-term investments of \$18.4 million of which \$8.6 million is restricted cash, held in short-term investments, guaranteeing the loan and \$9.8 million is cash available for operations.

The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Management is pursuing various financing alternatives to raise additional funds for operations and future potential acquisitions. These financing alternatives include modification to its current debt arrangement, additional borrowings and equity financings. While the Company is striving to achieve its plans, there is no assurance that future funding is likely to be available or obtained on favourable terms.

Crescita's ability to continue as a going concern depends on:

- its ability to secure additional licensing fees, secure co-development agreements, obtain additional capital when required, obtain regulatory approval for other drugs and ultimately achieve profitable operations;

- market acceptance of the Company's products by consumers, physicians or patients will depend on distribution channels (i.e. pharmacies, retail chains) accepting the product for sale; and
- its ability to advance the development of its pipeline products to significant milestones that are financeable.

As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its business acquisition report (the BAR) with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, Crescita may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations.

The Restated Consolidated Financial Statements do not include adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Selected Financial Information

in thousands (except per share)

	Year ended December 31, 2016 Restated	Year ended December 31, 2015
	\$	\$
Operations		
Product sales	3,012	-
Royalties	132	228
Services revenue	360	-
Total Revenue	3,504	228
Total operating expenses	18,073	7,664
Loss from operations	(14,569)	(7,436)
Other expenses	230	29
Income tax recovery	(295)	-
Net loss from continuing operations	(14,504)	(7,465)
Net loss from discontinued operations	(2,246)	(7,983)
Net loss	(16,750)	(15,448)
Unrealized gains (losses) on translation of foreign operations	105	(65)
Total comprehensive loss	(16,645)	(15,513)
Share Information⁽ⁱ⁾		
Net loss per common share for continuing operations		
- basic and diluted	(1.18)	(0.68)
Weighted average number of common shares outstanding for the year		
- basic and diluted	12,251	10,926

⁽ⁱ⁾ Under the terms of the Arrangement, Crescita issued 11.5 million common shares on March 1, 2016. Prior to the Arrangement, the Company used Nuvo's weighted average number of common shares outstanding to compute net loss per common share.

	As at December 31, 2016 Restated	As at December 31, 2015
	\$	\$
Financial Position		
Cash and cash equivalents	9,807	478
Restricted short-term investments	8,551	-
Total assets	41,216	1,188
Other obligations, including current portion	2,035	225
Long-term debt, including current portion	8,164	-
Total liabilities	16,210	4,554
Total equity	25,006	(3,366)

Non-IFRS Financial Measure

Crescita discloses non-IFRS measures that do not have standardized meanings prescribed by IFRS, but are considered useful by management, investors and other financial stakeholders to assess Crescita's

performance and management from a financial and operational standpoint. “Total operating expenses” is defined as the sum of: cost of goods sold (COGS), R&D expenses, SG&A expenses, interest expense and interest income. “Loss from operations” is defined as total revenue, less total operating expenses. Crescita considers these to be useful measures, as they provide investors with an indication of the operating performance of Crescita before considering gains or losses from foreign exchange or items that are non-recurring transactions.

Fluctuations in Operating Results

Crescita’s results of operations have fluctuated significantly from period-to-period in the past and are likely to do so in the future. Crescita anticipates that its quarterly and annual results of operations will be impacted for the foreseeable future by several factors including the timing and amount of product sales, royalties and other payments received pursuant to current and future operations and collaborations and licensing arrangements and the progress and timing of expenditures related to integration and R&D efforts. Due to these fluctuations, Crescita believes that the period-to-period comparisons of its operating results are not necessarily a good indicator of future performance.

Significant Transactions

On September 1, 2016, the Company acquired 100% of the equity of INTEGA, a private company located in Laval, Québec that develops, manufactures, sells and markets science-based quality non-prescription skincare products. (See Acquisition of INTEGA)

Results of Operations

Revenue

in thousands

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Product sales	3,012	-
Royalties	132	228
Services revenue	360	-
Total Revenue	3,504	228

Product Sales

Product sales were \$3.0 million for the year ended December 31, 2016 compared to \$nil for the year ended December 31, 2015.

Product sales consist of the sale of non-prescription skincare products from the INTEGA Acquisition. Product sales also include custom products manufactured for certain customers. Crescita recognizes revenue from the sale of products when the goods are shipped or received by the customers depending on the specific arrangement.

For the year ended December 31, 2016, product sales, derived from the Company’s current four largest customers represented 25% of product sales.

Royalties

Royalties, which Crescita receives from Galderma, its global licensee for Pliaglis, were \$0.1 million for the year ended December 31, 2016 compared to \$0.2 million for the year ended December 31, 2015. All royalty revenue related to the global net sales of Pliaglis. Royalties are determined using agreed upon formulas based on the definition of the licensee’s net sales as defined in the licensing agreement. Crescita recognizes royalty revenue based on the net sales of the licensee. In December 2015, the Company reacquired the

development and marketing rights for Pliaglis for the U.S., Canada and Mexico. Since the reacquisition of the North American Rights, the Company now earns a single-digit royalty on Galderma's net sales.

Services Revenue

Effective March 1, 2016, Nuvo and Crescita entered into a reciprocal transitional services agreement with a term of 18 months. Under the transitional services agreement, Crescita provides Nuvo corporate-level employee services, R&D and legal support, and facility and equipment rental. Crescita earned \$0.4 million during the year ended December 31, 2016 for services provided to Nuvo.

Operating Expenses

in thousands

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Cost of goods sold	2,335	-
Research and development	2,015	1,528
Selling, general and administrative	13,724	6,096
Interest expense	123	40
Interest income	(124)	-
Total operating expenses	18,073	7,664

Total operating expenses for the year ended December 31, 2016 were \$18.1 million compared to \$7.7 million for the year ended December 31, 2015.

Prior to March 1, 2016, operating expenses, including R&D and SG&A, included certain costs paid for Crescita by Nuvo. These cost allocations have been determined on a basis considered by Crescita and Nuvo to be a reasonable reflection of the services provided by Nuvo to Crescita.

Cost of Goods Sold

COGS for the year ended December 31, 2016 was \$2.3 million compared to \$nil for the year ended December 31, 2015. The COGS for the current year related to product sales resulting from the INTEGA Acquisition. Gross margin on product sales was \$0.7 million or 22% for the year ended December 31, 2016; excluding fair value adjustments to inventory, the gross margin for the current year was \$1.4 million or 47%.

Research and Development

R&D expenses were \$2.0 million for the year ended December 31, 2016 compared to \$1.5 million for the year ended December 31, 2015. R&D expenses included allocated costs that were incurred prior to March 1, 2016.

R&D expenditures vary depending on the stage of development of products and candidates in Crescita's pipeline and management's allocation of Crescita's resources to these activities in general and to each product specifically.

In the current and comparative year, the Company incurred costs related to the advancement of formulations for the Ferndale Collaboration. The increase in R&D expenses for the current year related to costs incurred for the development of new indications of Flexicaine, reformulation of the INTEGA products, as well as costs to transition the R&D programs to the Laval facility.

Selling, General and Administrative

SG&A expenses included allocated costs that were incurred prior to March 1, 2016. SG&A expenses were \$13.7 million for the year ended December 31, 2016 compared to \$6.1 million for the year ended December 31, 2015. The increase in the current year primarily related to an increase in professional and consulting fees of \$3.4 million related to the Reorganization (See Overview - Background), \$1.8 million of one-time non-recurring transactional costs related to the INTEGA Acquisition, on-going costs for the integration of the INTEGA Acquisition and costs related to the sale and wind-up of the Company's European operations. In

addition, Crescita has also incurred costs relating to the sale of the Immunology Group's German manufacturing operation, and transactions the Company is no longer pursuing. Also contributing to the increase during the year was \$0.2 million for the final milestone owed to Galderma for the Pliaglis North American rights reacquisition, an increase in stock-based compensation (SBC) of \$0.4 million and severance costs of \$1.2 million related to restructuring the operations.

Interest

Interest expense of \$0.1 million for the year ended December 31, 2016, primarily related to the Knight Loan net of amortization of the fair value premium. In both the current and comparative year, interest expense included non-cash accretion charges on the five-year consulting agreement as part of the consideration paid for the 2011 acquisition of the non-controlling interest in Nuvo Research AG.

Interest income was \$0.1 million for the year ended December 31, 2016 compared to \$nil for the year ended December 31, 2015. In the current year, the Company earned interest on its cash balances which included the \$35.0 million transferred from Nuvo on March 1, 2016 as part of the Reorganization.

Other Expenses

in thousands

	Year ended December 31, 2016	Year ended December 31, 2015
	\$	\$
Foreign currency loss	230	29
Total other expenses	230	29

Foreign Currency Loss

For the year ended December 31, 2016, the Company incurred a net foreign currency loss of \$0.2 million compared to \$29,000 for the year ended December 31, 2015. In the current and comparative years, the impact of a stronger Canadian dollar versus the U.S. dollar and euro decreased the value of U.S. dollar and euro denominated cash, receivables, payables and other obligations.

Net Loss and Total Comprehensive Loss

in thousands

	Year ended December 31, 2016 Restated	Year ended December 31, 2015
	\$	\$
Net loss before income taxes from continuing operations	(14,799)	(7,465)
Income tax recovery	(295)	-
Net loss from continuing operations	(14,504)	(7,465)
Net loss from discontinued operations	(2,246)	(7,983)
Net loss	(16,750)	(15,448)
Unrealized gains (losses) on translation of foreign operations	105	(65)
Total comprehensive loss	(16,645)	(15,513)

Loss from Continuing Operations

The Company's pretax loss from continuing operations was \$14.8 million for the year ended December 31, 2016 compared to \$7.5 million for the year ended December 31, 2015. The increase in loss from operations for the year was attributable to increased costs incurred from transactions, integration and restructuring.

Income Tax Recovery

The Company has recognized an income tax recovery of \$0.3 million, primarily from the recognition of INTEGA's non-capital loss carryforwards, as a result of the deferred tax liability being recorded as part of the INTEGA Acquisition.

Net Loss from Continuing Operations

Net loss from continuing operations was \$14.5 million for the year ended December 31, 2016 compared to \$7.5 million for the year ended December 31, 2015. For the current year, the increase in net loss was related to an increase in loss from operations, partially offset by \$0.3 million of income tax recovery.

Net Loss from Discontinued Operations

Net loss from discontinued operations was \$2.2 million for the year ended December 31, 2016 compared to \$8.0 million for the year ended December 31, 2015. The improvement in net loss from discontinued operations for the year ended December 31, 2016 related to a decrease in spending resulting from the sale of the German manufacturing operation on July 11, 2016 and the cancellation of the Immunology Group's R&D programs as part of the orderly wind-down of the remaining operations of the Immunology Group, partially offset by severance costs for Dr. Guntermann. In the comparative year, the increased loss from discontinued operations was attributable to the development of WF10 for the treatment of allergic rhinitis.

	Year ended December 31, 2016	Year ended December 31, 2015
in thousands	\$	\$
Discontinued Operations		
Product sales	189	629
Services revenue	4	-
Total Revenue	193	629
Total operating expenses	2,302	8,595
Foreign currency loss (gain)	(9)	17
Impairment of property, plant and equipment	27	-
Loss on disposal	119	-
Net loss from discontinued operations	(2,246)	(7,983)

Net Loss

Net loss was \$16.8 million for the year ended December 31, 2016 compared to \$15.4 million for the year ended December 31, 2015. The increase in net loss in the current year was attributable to an increase in loss from operations, partially offset by a decrease in net loss from discontinued operations and an income tax recovery of \$0.3 million.

Total Comprehensive Loss

Total comprehensive loss for the year ended December 31, 2016 was \$16.6 million compared to \$15.5 million for the year ended December 31, 2015. The current year included an unrealized gain of \$0.1 million on the translation of foreign operations compared to an unrealized loss of \$65,000 for the comparative year.

Net Loss Per Common Share

share figures in thousands

	Year ended December 31, 2016 Restated	Year ended December 31, 2015
	\$	\$
Net loss per common share from continuing operations		
- basic and diluted	(1.18)	(0.68)
Weighted average number of common shares outstanding		
- basic and diluted	12,251	10,926

Net loss per share from continuing operations was \$1.18 for the year ended December 31, 2016 compared to \$0.68 for the year ended December 31, 2015.

The weighted average number of shares outstanding on a basic and diluted basis was 12.3 million for the year ended December 31, 2016 compared to 10.9 million for the year ended December 31, 2015. Under the terms of the Arrangement, Crescita issued 11.5 million common shares on March 1, 2016. Prior to the Arrangement, the Company used Nuvo's weighted average number of common shares outstanding to compute net loss per common share.

Liquidity and Capital Resources

in thousands

	Year ended December 31, 2016 Restated	Year ended December 31, 2015
	\$	\$
Net loss from continuing operations	(14,504)	(7,465)
Net loss from discontinued operations	(2,246)	(7,983)
Items not involving current cash flows	823	365
Cash used in operations	(15,927)	(15,083)
Net change in non-cash working capital	(2,650)	1,165
Cash used in operating activities	(18,577)	(13,918)
Cash used in investing activities	(11,418)	(23)
Cash provided by (used in) financing activities	39,582	13,941
	9,587	-
Effect of exchange rates on cash	(258)	35
Net change in cash during the year	9,329	35
Cash, beginning of year	478	443
Cash, end of year	9,807	478

Cash

Cash was \$9.8 million as at December 31, 2016 compared to \$0.5 million as at December 31, 2015. Prior to March 1, 2016, Crescita was economically dependent on and relied on Nuvo for funding to support its operations. Under the terms of the Arrangement, on March 1, 2016, Crescita received \$35.0 million from Nuvo to fund its operations.

Operating Activities

Overall cash used in operating activities was \$18.6 million for the year ended December 31, 2016 compared to \$13.9 million for the year ended December 31, 2015. The increase in cash used in operating activities related to an increase in net loss from continuing operations and a \$2.7 million investment in working capital

compared to a \$1.2 million recovery of working capital in the comparative year. The working capital investment of \$2.7 million in the current year, primarily related to an increase in accounts payable and accruals for payments associated with the INTEGA acquisition and the restructuring of the Company, an investment in inventories to meet planned demand and an increase in other current assets, primarily related to commodity taxes receivable of \$0.6 million and prepaid expenditures, including prepayments related to manufacturing materials of \$0.4 million.

Investing Activities

Net cash used in investing activities was \$11.4 million for the year ended December 31, 2016 compared to \$23,000 for the year ended December 31, 2015. In the current year, cash used in investing activities was primarily attributable to the repayment of bridge loans of \$3.1 million, less cash acquired with the INTEGA Acquisition of \$0.3 million. In addition, the Company invested \$8.6 million to secure a letter of credit guaranteeing its long-term debt. These funds are held as restricted short-term investments and are redeemable within one year.

Financing Activities

Net cash provided by financing activities totalled \$39.6 million for the year ended December 31, 2016 compared to \$13.9 million for the year ended December 31, 2015. In the current year, Crescita received \$35.0 million from Nuvo to fund its operations in accordance with the terms of the Arrangement. For both years, funding provided by Nuvo (prior to the Reorganization) was partially offset by payments made towards the five-year consulting agreement recognized as part of the purchase of the non-controlling interest in 2011.

Selected Quarterly Information

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

	March 31, 2016	June 30, 2016	September 30, 2016 Restated	December 31, 2016 Restated
in thousands, except per share data	\$	\$	\$	\$
Revenue	95	98	1,063	2,248
Net loss from continuing operations	(4,953)	(2,340)	(2,707)	(4,504)
Net loss	(6,058)	(3,079)	(3,050)	(4,563)
Net loss per common share from continuing operations				
- basic and diluted	(0.44)	(0.20)	(0.22)	(0.32)
Net loss per common share				
- basic and diluted	(0.54)	(0.27)	(0.25)	(0.33)
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
	\$	\$	\$	\$
Revenue	26	113	29	60
Net loss from continuing operations	(963)	(1,786)	(2,255)	(2,461)
Net loss	(2,295)	(5,445)	(3,303)	(4,405)
Net loss per common share from continuing operations				
- basic and diluted	(0.09)	(0.16)	(0.21)	(0.22)
Net loss per common share				
- basic and diluted	(0.21)	(0.50)	(0.30)	(0.40)

Fourth Quarter Results

in thousands

	Three months ended December 31, 2016 Restated	Three months ended December 31, 2015
	\$	\$
Product sales	2,088	-
Royalties	60	60
Services revenue	100	-
Total revenue	2,248	60
Cost of goods sold	1,768	-
Research and development	510	219
Selling, general and administrative	4,755	2,290
Interest expense	53	9
Interest income	(29)	-
Total operating expenses	7,057	2,518
Other expenses (income)	(73)	3
Net loss before income taxes from continuing operations	(4,736)	(2,461)
Income tax recovery	(233)	-
Net loss from continuing operations	(4,504)	(2,461)
Net loss from discontinued operations	(59)	(1,944)
Net loss	(4,563)	(4,405)
Other comprehensive loss	(5)	(18)
Total comprehensive loss	(4,568)	(4,423)

Key Developments

During the quarter and prior to the release of the fourth quarter results:

- In March, the Company signed an exclusive license agreement with a U.S.-based, major dermatological CRO (the Licensee) to develop prescription treatments of skin diseases utilizing Crescita's patented MMPE technology. The Licensee will oversee and fund the cost of all development activities until commercialization partner(s) for the products are secured. Crescita is entitled to a share of royalties and other consideration received by the Licensee from such partners based on a formula that includes compensation to Crescita for granting the Licensee the exclusive license to the MMPE technology.
- In January, INTEGA launched the ISDIN Acnisdin and Nutratopic product lines at Brunet pharmacy chains throughout Québec. The trademark is owned by ISDIN S.A. and is being used under license by INTEGA.

Operating Results

Total revenue for the three months ended December 31, 2016 was \$2.2 million compared to \$60,000 for the three months ended December 31, 2015. The increase in revenue primarily related to product sales of non-prescription skincare products resulting from the INTEGA Acquisition.

Total operating expenses for the three months ended December 31, 2016 were \$7.1 million compared to \$2.5 million for the three months ended December 31, 2015. The increase in operating expenses was primarily

due to transactional costs for the INTEGA Acquisition, as well as incremental costs for the integration of INTEGA and costs related to the restructuring of the business.

COGS for the three months ended December 31, 2016 was \$1.8 million compared to \$nil for the three months ended December 31, 2015. The increase in COGS in the current quarter related to product sales resulting from the INTEGA Acquisition and an inventory write-down of \$0.1 million. Crescita reported a gross margin on product sales of \$0.3 million or 15% for the three months ended December 31, 2016; excluding fair value adjustments to inventory, the gross margin for the current quarter was \$0.9 million or 42%.

R&D expenses increased to \$0.5 million for the year ended December 31, 2016 compared to \$0.2 million for the three months ended December 31, 2015. The increase in the current quarter related to increased costs for the advancement of formulations for the Ferndale Collaboration, ongoing costs incurred for reformulation of the INTEGA products, as well as costs to transition the R&D programs to the Laval facility.

SG&A expenses for the three months ended December 31, 2016 were \$4.8 million compared to \$2.3 million for the comparable period in 2015. The increase in the quarter was primarily a result of non-recurring one-time transactional and integrational charges of approximately \$1.0 million related to the INTEGA Acquisition. These included professional fees related to audit and legal services in connection with requisite BAR filing post the INTEGA Acquisition. The Company is restructuring its operations to drive synergies and has recorded severance costs of \$0.5 million in the current quarter, in addition to costs related to wind-up its European operations.

Interest expense of \$53,000 for the current quarter related to the Knight Loan net of amortization of the loan premium compared to \$9,000 in the comparative quarter in 2015.

Interest income of \$29,000 for the three months ended December 31, 2016 [December 31, 2015 - \$nil] was interest earned on cash balances.

Other income of \$73,000 for the three months ended December 31, 2016 related to foreign exchange gain. In the comparative quarter, the impact of a stronger Canadian dollar versus the euro increased the value of euro denominated cash, receivables and payables. Crescita recognized other expenses of \$3,000 related to a foreign exchange loss.

Net loss for the three months ended December 31, 2016 was \$4.6 million compared to \$4.4 million for the three months ended December 31, 2015. In the comparative quarter, net loss included a net loss from discontinued operations of \$1.9 million which was attributable to the development of WF10 for the treatment of allergic rhinitis. The improvement in net loss for the current quarter was a result of the increased revenues netted against the corresponding costs to realize those revenues and was offset by the additional costs incurred to integrate and restructure the operations.

Total comprehensive loss was \$4.6 million for the three months ended December 31, 2016 compared to \$4.4 million for the three months ended December 31, 2015. Included in the comprehensive loss was a \$5,000 unrealized loss on the translation of foreign operations for the three months ended December 31, 2016 compared to a \$18,000 unrealized loss for the three months ended December 31, 2015.

Liquidity

in thousands

	Three months ended December 31, 2016 Restated	Three months ended December 31, 2015
	\$	\$
Net loss from continuing operations	(4,504)	(2,461)
Net loss from discontinuing operations	(59)	(1,944)
Items not involving current cash flows	(221)	146
Cash used in operations	(4,784)	(4,259)
Net change in non-cash working capital	(455)	1,313
Cash used in operating activities	(5,239)	(2,946)
Cash used in investing activities	(78)	(10)
Cash provided by financing activities	-	2,658
Effect of exchange rates on cash	93	(20)
Net change in cash	(5,224)	(318)
Cash, beginning of period	15,031	796
Cash, end of period	9,807	478

Cash was \$9.8 million at December 31, 2016, a decrease of \$5.2 million compared to \$15.0 million at September 30, 2016.

Cash used in operating activities was \$5.2 million for the three months ended December 31, 2016 compared to cash used in operating activities of \$2.9 million for the three months ended December 31, 2015. The increase in cash used in operating activities related to an increase in net loss from continuing operations and a \$0.5 million investment in working capital compared to a \$1.3 million recovery of working capital in the comparative quarter. The working capital investment of \$0.5 million in the current quarter, primarily related to an increase in accounts payable and accruals for payments associated with the INTEGA Acquisition and the restructuring of the Company, an investment in inventories to meet planned demand and an increase in prepaid expenditures related to manufacturing materials.

Net cash used in investing activities totalled \$78,000 for the three months ended December 31, 2016 compared to net cash used in investing activities of \$10,000 for the three months ended December 31, 2015. Cash used in investing activities in the current quarter was primarily attributable to the acquisition of computer equipment and software and leasehold improvements.

Net cash provided by financing activities totalled \$nil for the three months ended December 31, 2016 compared to \$2.7 million for the three months ended December 31, 2015. Crescita was economically dependent on and historically relied on Nuvo for funding to support its operations. In the comparative quarter, funding provided by Nuvo was partially offset by payments made towards the five-year consulting agreement recognized as part of the non-controlling interest in 2011.

Financial Instruments

Fair Values

The fair values of the Company's current financial assets and liabilities approximate their carrying amounts due to the short period to maturity of these instruments.

The fair values of the Company's non-current obligations have been estimated using rates currently available to the Company for obligations with similar terms and remaining maturities. The fair values of these instruments approximate their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - determined by reference to quoted prices in active markets for identical assets and liabilities.

Level 2 - include those where valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.

Level 3 - valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The following table provides the fair value measurement hierarchy of the financial instruments measured at fair value subsequent to initial recognition in the Restated Consolidated Statements of Financial Position as at:

in thousands	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements						
Contingent Milestone Payments relating to the acquisition of INTEGA	-	-	63	-	-	-
SARs	-	229	-	-	565	-
DSUs	-	-	-	526	-	-

Valuation methods and assumptions

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2016 and 2015.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Prior to their settlement as part of the Arrangement, Level 1 liabilities included obligations of the Company for the DSUs. One DSU had a cash value equal to the market price of one of Nuvo's common shares. The Company revalued the DSU liability each reporting period using the market value of the underlying shares.

Level 2 liabilities include obligations of the Company for the SARs Plan. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model.

Level 3 liabilities include obligations of the Company for the Milestone Payments relating to the acquisition of INTEGA. The fair value of the contingent consideration is revalued at each reporting period based on management's best estimate of the probability of achieving the Milestones, using an appropriate discount rate. A significant increase (decrease) in the probability of achieving a Milestone would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. During the year ended December 31, 2016, the fair value of the Milestone Payments decreased and the changes are reflected in the results of operations for the year.

Financial Risk Management

Risk Factors

The following is a discussion of liquidity, credit and market risks and related mitigation strategies that have been identified. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk

Prior to the Reorganization, the Company was economically dependent on, and has historically relied on, Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo transferred \$35.0 million of cash to the Company to provide working capital. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions.

The Company has purchase commitments and minimum future rental payments under operating leases of \$2.2 million that are due in less than one year and \$10.0 million that is payable from 2018 to 2023.

The Company's exposure to liquidity risk is dependent on the sales growth and profitability of INTEGA which will be impacted by the status of competitive products and the success of the Company in developing and maintaining markets for its products. In addition, a number of other factors will have an impact to liquidity risk including the level of research and development (R&D) expenditures for product candidates, costs associated with maintaining regulatory approvals, the timing of payments received or made under licensing arrangements and the acquisition costs of licenses for new products or technologies.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash and amounts receivable from global customers. The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions. The Company, in the normal course of business, is exposed to credit risk from its global customers. The accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. In addition, the Company is exposed to credit-related losses on sales to its customers outside North America due to potentially higher risks of enforceability and collectability.

As at December 31, 2016, 9% of accounts receivable related to customers outside North America and the E.U. [December 31, 2015 - 68%].

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

	December 31, 2016	December 31, 2015
in thousands	\$	\$
Current	476	188
0-30 days past due	783	7
31-60 days past due	235	-
61-90 days past due	143	-
Over 90 days past due	42	-
	1,679	195

As at December 31, 2016, the allowance for doubtful accounts receivable was \$0.1 million [December 31, 2015 - \$nil].

Interest Rate Risk

The Company's long-term debt 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%.

Currency Risk

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

in thousands	Euros		U.S. Dollars	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	€	€	\$	\$
Cash	50	153	1,680	156
Accounts receivable	-	85	66	49
Other current assets	126	2	90	-
Accounts payable and accrued liabilities	(51)	(864)	(522)	(274)
Other short-term obligations	(4)	-	(35)	(162)
	121	(624)	1,279	(231)

Based on the aforementioned net exposure as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of \$0.2 million on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of \$17,000 on total comprehensive loss.

In terms of the euro, the Company had one significant exposure: its net investment and net cash flows in its European operations, which have now been discontinued. In terms of the U.S. dollar, the Company has four significant exposures: its net investment and net cash flows in its U.S. operations, its product sales to U.S. customers, royalties from licensing agreement with Galderma S.A. (Galderma) regarding Pliaglis and the cost of running trials and other studies at U.S. sites.

The Company does not actively hedge any of its foreign currency exposures given the relative risk of currency versus other risks the Company faces and the cost of establishing the necessary credit facilities and purchasing financial instruments to mitigate or hedge these exposures. As a result, the Company does not attempt to hedge its net investments in foreign subsidiaries.

Commitments

The Company has purchase commitments and minimum future rental payments under operating leases for the twelve months ending December 31 as follows:

in thousands	Purchase Obligations	Operating Leases	Total
	\$	\$	\$
2017	1,625	565	2,190
2018	2,026	408	2,434
2019	2,459	397	2,856
2020 and thereafter	3,195	1,507	4,702
	9,305	2,877	12,182

For the year ended December 31, 2016, payments under operating leases totalled \$0.4 million [December 31, 2015 - \$0.2 million]. These payments include a portion of Nuvo's corporate office lease during the carve-out period which had been allocated to the Company prior to March 1, 2016.

Guarantees

The Company periodically enters into research, licensing, distribution or supply agreements with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party intellectual property claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions generally survive termination of the underlying agreements. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in these Restated Consolidated Financial Statements with respect to these indemnification obligations.

Subsequent Event

On April 21, 2017, the Company entered into a development and commercialization license agreement (the Agreement) with Taro Pharmaceuticals Inc. (Taro), the Canadian subsidiary of Taro Pharmaceutical Industries Ltd. Under the terms of the Agreement, Crescita has granted Taro an exclusive license to the rights to sell and distribute Pliaglis in the U.S. market and for a second-generation enhanced version with patent pending (the Enhanced Formulation). In consideration of the rights granted under the Agreement, Taro will make the following payments to Crescita: an upfront payment of US\$2.0 million, up to US\$5.75 million in non-dilutive development and sales milestone payments and tiered royalties on net sales of products licensed under the Agreement. In addition, Crescita and Taro entered into a fee-for-service development agreement, whereby, the Company will provide services related to further development of Pliaglis and the Enhanced Formulation and will receive fees based on services performed. Crescita retains all rights to Pliaglis in Canada and Mexico.

Restatement

The Company restated its December 31, 2016 consolidated financial statements in order to correct for deferred taxes associated with the INTEGA Acquisition. Previously, the losses recognized to offset the deferred tax liability associated with the fair value of the intangible assets were recognized through net income rather than through the purchase equation.

The effects of the adjustments to the consolidated financial statements are presented below. The adjustments had no effect on the previously reported amounts of net cash flows from operating activities, investing activities or financing activities. The adjusted line items are as follows:

As at December 31, 2016	Previously reported \$	Adjustments \$	As adjusted \$
<i>Consolidated Statement of Financial Position</i>			
Goodwill	7,997	(1,802)	6,195
Deficit	(31,140)	(1,802)	(32,942)
<hr/>			
For the year ended December 31, 2016	Previously reported \$	Adjustments \$	As adjusted \$
<i>Consolidated Statement of Loss and Comprehensive Loss</i>			
Income tax recovery	(2,097)	1,802	(295)
Net loss from continuing operations	(12,702)	(1,802)	(14,504)
Net loss	(14,948)	(1,802)	(16,750)
Total comprehensive loss	(14,843)	(1,802)	(16,645)
Net loss per common share from continuing operations (basic & diluted)	(1.04)	(0.14)	(1.18)

Off-Balance Sheet Arrangements

Crescita does not have any off-balance sheet arrangements.

Related Party Transactions

Transition Services

Effective March 1, 2016, Nuvo and Crescita entered into a reciprocal transitional services agreement (TSA) with a term of 18 months. Under the TSA, (a) Nuvo provides corporate-level employee services, quality assurance support and facility rental, and (b) Crescita provides Nuvo corporate-level employee services, R&D and legal support, and facility and equipment rental. Effective September 12, 2016, the CFO transition services agreement between Nuvo and Crescita was terminated.

During the year ended December 31, 2016, Crescita charged Nuvo \$0.4 million for transition services and incurred \$0.3 million of fees for transition services performed by Nuvo.

Both Nuvo and Crescita paid for certain costs on behalf of the other company after March 1, 2016, as necessitated by the logistics of the transition. At December 31, 2016, Crescita recognized a net receivable of \$0.1 million due from Nuvo. The Company is in the process of revising the TSA which will impact the services revenue for the remaining term.

Expense Allocations

For the periods prior to March 1, 2016, the Company's accounts reflect Nuvo's drug development operations as if it had always operated as a stand-alone entity. The financial results for the periods prior to March 1, 2016 represent the financial position, results of operations and cash flows of Nuvo's drug development operations on a combined carve-out basis.

Allocations reflected in SG&A expenses totalled \$2.2 million for the year ended December 31, 2016 compared to \$5.8 million for the year ended December 31, 2015. Allocations reflected in R&D expenses totalled \$0.2 million for the year ended December 31, 2016 compared to \$0.3 million for the year ended December 31, 2015.

Crescita and Nuvo considered these general corporate expense allocations to be a reasonable reflection of the underlying nature of the operations of these entities and of the utilization of services provided. The allocations may not, however, reflect the expense Crescita would have incurred as a stand-alone company. Actual costs which may have been incurred if Crescita had been a stand-alone public company in 2016 and 2015 would depend on a number of factors, including how Crescita chose to organize itself, what if any functions were outsourced or performed by Crescita employees and strategic decisions in areas such as infrastructure.

Outstanding Share Data

In connection with the Reorganization, and under the terms of the Arrangement, each Nuvo Research Inc. share certificate existing on March 1, 2016 became a common share of Nuvo and the right to receive a share certificate of a Crescita common share. The number of common shares outstanding as at December 31, 2016 was 13.9 million.

Pursuant to the Arrangement, each Nuvo Research Inc. stock option issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement stock option issued by Nuvo and one Post-Arrangement stock option issued by Crescita. As at December 31, 2016, there were 1,352,597 options outstanding of which 592,567 have vested.

Pursuant to the Arrangement, each Nuvo Research Inc. SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. As at December 31, 2016, there were 417,047 SARs outstanding of which none have vested. The shareholders of Nuvo Research Inc. approved a resolution on February 18, 2016 to allow SARs to be equity settled.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Management has identified the following accounting estimates that it believes are most critical to understanding the Consolidated Financial Statements and those that require the application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 4 – *Summary of Significant Accounting Policies* in the Company's Restated Consolidated Financial Statements for the year ended December 31, 2016.

Critical Accounting Estimates

Key areas of estimation or use of managerial assumptions are as follows:

(i) Allocations

Nuvo paid certain costs for the Company and performed certain activities on behalf of the Company. As a result, these Restated Consolidated Financial Statements include allocations of certain balances and transactions reported in the accounts of Nuvo.

An entity included in these Restated Consolidated Financial Statements paid certain costs for Nuvo and performed certain activities on behalf of Nuvo related to the HLT Patch. Accordingly, an allocation of certain balances and transactions reported in the accounts of this entity have been excluded from these Restated Consolidated Financial Statements.

Compensation related costs have been allocated using methodologies primarily based on proportionate time spent on the Company's and Nuvo's respective activities. These cost allocations have been determined on a basis considered by the Company and Nuvo to be a reasonable reflection of the utilization of services provided to the Company.

(ii) 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.

For the acquisition of INTEGA, the estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% 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 13.6%. The fair value of the contingently payable purchase price obligation is based on a weighted average probability of achieving the earn-out target.

(iii) Cash-generating units

The identification of cash-generating units (CGUs) within the Company requires considerable judgment. Under IFRS, management must determine the smallest group of assets that generate independent cash inflows. Management first considers the Company's commercialized products and then determines the operations that contribute to each product's revenue base and net cash inflows. Management has identified one CGU for the Company.

(iv) Impairment of non-financial assets and goodwill

The Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. However, goodwill is tested for impairment annually in the fourth quarter. The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. The recoverable amount has been determined by management using fair value less costs to sell model. This complex valuation process entails the use of methods, such as the discounted cash flow method which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate used in the discounted cash flow model, as well as the quantum and timing of expected future cash flows and the growth rate used for the extrapolation.

The estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% was applied to derive a terminal value beyond the initial 5-year period. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2016 was 13.1%.

A 100-basis point increase in the post-tax discount rate would have resulted in an impairment charge of \$0.4 million in 2016.

A 10% decrease, evenly distributed over the future periods, in the expected future net cash inflows would have resulted in an impairment charge of \$0.2 million in 2016.

(v) Share-based payments

The Company measures the cost of share-based payments, either equity or cash-settled, with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. In addition, cash-settled share-based payments are revalued to fair value at every reporting date.

Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of share-based payments, such as incentive stock options and share appreciation rights, the Company uses the Black-Scholes option pricing model.

Several assumptions are used in the underlying calculation of fair values of the Company's stock options and share appreciation rights using the Black-Scholes option pricing model, including the expected life of the option, stock price volatility and forfeiture rates.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRS Interpretations Committee (IFRIC) that are not yet effective and have not yet been early adopted by the Company. The standards impacted that may be applicable to the Company are as follows:

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9), which will replace IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual Consolidated Financial Statements commencing January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates during the course of 2017 as it advances in its assessment.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates, during the course of 2017, as it advances in its assessment.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 - *Leases* (IFRS 16), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements.

Amendments to IFRS 2 - Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payments* (IFRS 2), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification from cash settled to equity settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates, during the course of 2017, as it advances in its assessment.

Management's Responsibility for Financial Reporting

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures (DCP) are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of DCP includes, among other things, the Company's Corporate Disclosure and Code of Conduct and Business Ethics policies, the review and approval procedures of the Corporate Disclosure Committee and continuous review and monitoring procedures by senior management.

Management, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have designed, or caused to be designed, internal controls over financial reporting (ICFR) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management, under the supervision of and with the participation of the CEO and CFO, evaluated the effectiveness of the Company's ICFR, as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, which excluded INTEGA's DCP and ICFR, the CEO and CFO concluded that the Company's DCP and ICFR was effective as at December 31, 2016.

Due to its inherent limitations, DCP and ICFR may not prevent or detect all misstatements, errors and fraud. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, even effective DCP and ICFR can only provide reasonable, not absolute, assurance of achieving the control objectives for financial and other reporting.

The CEO and CFO have limited the scope of their design of DCP and ICFR to exclude controls, policies and procedures of INTEGA, which was acquired on September 1, 2016. This scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

INTEGA's contribution to the overall consolidated financial statements of Crescita for the year ended December 31, 2016 was approximately 86% of consolidated revenues and 16% of consolidated net loss. Additionally, as at December 31, 2016, INTEGA's current assets and current liabilities were approximately 21% and 57% of consolidated current assets and current liabilities and its non-current assets and non-current liabilities were approximately 20% and 80% of consolidated non-current assets and non-current liabilities.

There were no material changes in the Company's ICFR that occurred during fiscal 2016.

Risk Factors

An investment in the securities of the Company is speculative and involves a high degree of risk. Below are selected risk factors that relate to the discussion in this MD&A. An investor should carefully consider the risks and uncertainties described below, as well as other information contained in this MD&A, in addition to the broader risk factors discussed in the Company's AIF. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's common shares could decline. Before making an investment decision, each prospective investor should carefully consider the risk factors set out below and those included in the AIF and other public documents.

Need for additional financing

At December 31, 2016, the Company had cash and short-term investments of \$18.4 million of which \$8.6 million is restricted cash guaranteeing the debt and \$9.8 million is cash available for operations. During 2017, the Company will continue to incur expenditures as it proceeds with the integration of INTEGA and potential development programs to advance the products in its pipeline and to seek regulatory approvals. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions. Unexpected increases in Crescita's costs and expenses due to operational decisions by Crescita and/or factors beyond Crescita's control could cause its cash resources to be depleted and profitability will not be achieved. Even if the Company achieves profitability, it may not remain profitable. Crescita's inability to become and remain profitable could depress the market price of its shares and could impair its ability to raise capital, expand its business, expand its product pipeline or continue its operations.

The acquisition of INTEGA was a significant acquisition for the Company under National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102), and requires the filing of a business acquisition report (the BAR) containing certain financial statements and other information regarding INTEGA. The deadline for filing the BAR was November 16, 2016. Following the acquisition, Crescita, in consultation with its financial and legal advisers, determined that it was not practicable to prepare the financial information that is required to be included in the BAR under NI 51-102. As a result, Crescita was not able to file the BAR on time and was noted in default of its obligations under securities laws on or about November 17, 2016. On February 16, 2017, the Company obtained exemptive relief from the Ontario Securities Commission permitting Crescita to file the BAR with alternative financial information. Crescita expects to file the BAR during the second quarter of 2017, at which time, it expects that it will no longer be in default of Canadian securities laws.

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its BAR with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, Crescita may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations.

Inability to meet debt commitments

The Company is required to meet certain conditions, including covenants, pursuant to the terms of the Loan Agreement with Knight. A failure to meet such conditions could result in our lender seeking to enforce their security under the Loan Agreement. This could have a material adverse effect on Crescita's business, financial condition and results of operations.

The restrictions governing our other indebtedness may prevent the Company from taking actions that we believe would be in the best interest of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject the Company to additional restrictive covenants that could affect our financial and operational flexibility. We may be unable to refinance our indebtedness, at maturity or otherwise, on terms acceptable to us, or at all.

Our ability to comply with the covenants and restrictions contained in our debt agreement may be affected by economic, financial and industry conditions, beyond our control including credit or capital market disruptions. The breach of any of these covenants or restrictions could result in a default that would permit the lenders to declare all amounts outstanding to be due and payable, together with accrued and unpaid interest. If the Company is unable to repay the indebtedness, the lenders could proceed against the collateral securing the

indebtedness. This could have serious consequences to our financial position and results of operations and could cause us to become bankrupt or insolvent.

There is no assurance that we will be able to secure future additional financing to repay our current debt obligations should cash flows from operations be insufficient to repay these liabilities.

Unexpected costs or liabilities related to the INTEGA Acquisition

Although the Company has conducted what it believes to be a prudent and thorough level of investigation in connection with the INTEGA Acquisition and has negotiated indemnities in the acquisition agreement (Acquisition Agreement) to cover certain potential future liabilities, such indemnities may be limited and an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, INTEGA. There may be liabilities that the Company failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to the execution of the Acquisition Agreement, and the Company may not be indemnified for some or all of these liabilities or the indemnification may be subject to limitations set forth in the Acquisition Agreement. The discovery of any material liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on the Company's business, financial condition or future prospects.

While the Company has estimated these potential liabilities for the purposes of making its decision to enter into the Acquisition Agreement, there can be no assurance that any resulting liability will not exceed the Company's estimates. The amount of such liability could have a material adverse effect on the Company's financial position. Furthermore, following the INTEGA Acquisition, the Company may discover that it has acquired substantial undisclosed liabilities.

In addition, Crescita may be unable to retain INTEGA's customers or employees following the INTEGA Acquisition. The existence of undisclosed liabilities and the Company's inability to retain INTEGA's customers or employees could have an adverse impact on the Company's business, financial condition and results of operations.

Taxes

The Company has operations outside of Canada. As such, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments, the U.S. and certain other jurisdictions.

Significant judgment will be required in determining the Company's provision for income taxes and claims for investment tax credits (ITCs) related to qualifying Scientific Research and Experimental Development (SR&ED) expenditures in Canada. Various internal and external factors may have favourable or unfavourable effects on future provisions for income taxes and the Company's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, future levels of R&D spending and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on the Company's effective income tax rate.

The Company could be impacted by certain tax treatments for various revenue streams in different tax jurisdictions. The Company may be subject to withholding taxes on certain of its revenue streams. The withholding tax rates that were used were based on the interpretation of specific tax acts and related treaties. If a tax authority has a different interpretation from the Company's, it could potentially impose additional taxes, penalties or fines. This would potentially reduce the amounts of revenue ultimately received by the Company.

The Company, from time-to-time, may execute on multiple reorganization transactions impacting its tax structure. If a tax authority has a different interpretation from the Company's, it could potentially impose additional taxes, penalties or fines.

Historical financial information

The historical financial information of Crescita up to and including March 1, 2016 is presented on a carve-out basis as if Crescita operated as a stand-alone entity for the periods presented. Due to the fact that Crescita's

operations were combined with those of Nuvo, the financial information does not necessarily reflect what Crescita's results of operations, financial position or cash flows would have been had Crescita been an independent, combined entity during the periods presented and are not necessarily indicative of what Crescita's results of operations, financial position, cash flows or costs and expenses will be in the future.

Products may fail to achieve market acceptance

Any products recently launched or successfully developed by the Company may not achieve market acceptance and as a result may not generate significant revenues. Market acceptance of the Company's products by consumers, physicians or patients will depend on a number of factors, including:

- availability, cost and effectiveness of products when compared to competing products and alternative treatments;
- distribution channels (i.e. pharmacies, retail chains) will accept the product for sale;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- the acceptance of competing products;
- pricing; and
- effectiveness of marketing and distribution partners' sales and marketing strategies.

If any product commercialized by the Company does not provide a treatment regimen that is as beneficial as the current standard of care or otherwise does not provide consumer or patient benefits, there is the potential that it will not achieve market acceptance. This may result in a shortfall in revenues and an inability to achieve or maintain profitability.

Manufacturing and supply risks

The Company will purchase key raw materials necessary for the manufacture of its products and finished products from a limited number of suppliers around the world and in some cases will rely on its licensing partners to manufacture certain of its products.

Increases in the prices from suppliers of any component of the product, interruptions in supply of product or lapses in quality could adversely impact Crescita's margins, profitability and cash flows. Crescita will be reliant on its third-party contract manufacturing organizations (CMOs) and suppliers of raw materials and manufacturing components to maintain the facilities in compliance with various countries' regulatory authorities. If the CMO or suppliers fail to maintain compliance with regulatory authorities, they could be ordered to cease manufacturing, which would have a material adverse impact on Crescita's business, results of operations, financial condition and cash flows. In addition to FDA regulations, violation of standards enforced by the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA), and their counterpart agencies in other jurisdictions, could slow down or curtail operations of the CMO or any of its suppliers.

If the relationships with the CMO or any of the single-sourced suppliers is discontinued or, if any manufacturer is unable to supply or produce required quantities of product on a timely basis or at all, or if a supplier ceases production of an ingredient or component, the operations would be negatively impacted and the business would be harmed.

The ISDIN product line is manufactured by a third-party CMO located in the E.U. The CMO is in compliance with the EMA in Europe and the TPD Canada for the manufacture of the ISDIN product line. If the CMO fails to maintain compliance with EMA or Canadian regulations, they could be ordered to cease manufacturing, which would impact the Company's ability to market and sell the ISDIN product line.

Under the terms of the Pliaglis license agreements, Galderma has the sole right to manufacture Pliaglis and therefore, Crescita will depend on Galderma as the only qualified supplier of the product for all global markets. Pliaglis also contains the active drugs lidocaine and tetracaine and in the past the form of tetracaine used in the product has, at times, been difficult to procure. Crescita will be reliant on Galderma to maintain the facilities at which it manufactures Pliaglis in compliance with FDA, EMA, state and local regulations and other regulatory agencies. If Galderma fails to maintain compliance with FDA, EMA or other critical regulations, they could be ordered to cease manufacturing, which would have a material adverse impact on Crescita's business, results of operations, financial condition and cash flows. In addition to FDA regulations, violation of standards enforced by the EPA, the OSHA and their counterpart agencies at the state level, could slow down or curtail operations of Galderma. In December 2015, the Company reacquired Pliaglis development and marketing rights for the U.S., Canada and Mexico and will rely on Galderma to manufacture Pliaglis for these markets.

In addition, the FDA and other regulatory agencies require that raw material manufacturers comply with all applicable regulations and standards pertaining to the manufacture, control, testing and use of the raw materials as appropriate. For the APIs or critical raw materials depending on the drug product, this means compliance to current GMPs for APIs and submission of all data related to the manufacture, control and testing of the API for quality, purity, identity and stability, as well as a complete description of the process, equipment, controls and standards used for the production of the API. This is usually submitted to the FDA in the form of a drug master file (DMF) by the manufacturer and referenced by the sponsor of the NDA. The DMF information and data is reviewed by the FDA as a critical component of the approval of the NDA.

As a result, in the case where only one supplier of a particular API or critical raw material meets all of the FDA's (or other regulatory agencies) requirements and has a DMF (or similar filing) on file with the FDA, Crescita will be at risk should a supplier violate GMPs, fail an FDA inspection, terminate access to its DMF, be unable to manufacture product, choose not to supply Crescita or decide to increase prices.

In addition, Crescita could be subject to various import duties applicable to both finished products and raw materials and it may be affected by other import and export restrictions, as well as developments with an impact on international trade. Under certain circumstances, these international trade factors could affect manufacturing costs, which will in turn affect Crescita's margins, as well as the wholesale and retail prices of manufactured products.

The Company's facility in Laval, Québec has yet to operate at full capacity. This exposes Crescita to the following risks, any of which could delay or prevent the commercialization of its products, result in higher costs or deprive it of potential product revenues:

- Crescita may encounter difficulties in achieving volume production, quality control and quality assurance, as well as relating to shortages of qualified personnel. Accordingly, Crescita might not be able to manufacture sufficient quantities to successfully commercialize its products;
- Crescita's manufacturing facilities will be required to undergo satisfactory current GMPs inspections prior to regulatory approval and are obliged to operate in accordance with Health Canada and other nationally mandated GMPs, which govern manufacturing processes, stability testing, record keeping and quality standards. Failure to establish and follow GMPs and to document adherence to such practices, may lead to significant delays in the availability of Crescita's products; and
- Changing manufacturing locations would be difficult and the number of potential manufacturers is limited. Changing manufacturers generally requires re-validation of the manufacturing processes and procedures in accordance with E.U. and other nationally mandated GMPs. Such re-validation may be costly and would be time consuming. It would be difficult or impossible to quickly find replacement manufacturers on acceptable terms, if at all.

Crescita's manufacturing facilities will be subject to ongoing periodic unannounced inspection by Health Canada and other government agencies, and may be subject to inspection by local, state, provincial and federal authorities from various jurisdictions to ensure strict compliance with GMPs and other government

regulations. A recent audit from Health Canada, recommended an upgrade to the INTEGA manufacturing facility that management estimates could cost approximately \$0.5 million over the next twelve to eighteen months. Failure by Crescita to comply with applicable regulations could result in sanctions being imposed on it, including fines, injunctions, civil penalties, failure of the government to grant review of submissions or market approval of products, delays, suspension or withdrawal of approvals, seizures or recalls of product, operating restrictions, facility closures and criminal prosecutions, any of which could materially adversely affect Crescita's business.

Additional Information

Additional information relating to the Company, including the Company's most recently filed AIF, can be found on SEDAR at www.sedar.com.

Corporate Information

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CORPORATE GOVERNANCE

The Company's website www.crescitatherapeutics.com contains the Company's corporate governance documents including Code of Conduct and Business Ethics, Corporate Disclosure Policy, Insider Trading Policy and Audit Committee Charter.

Board of Directors and Executive Officers

Daniel N. Chicoine, BComm, CPA, CA
Executive Chairman and
Interim Chief Executive Officer

Muneerah Kanji, MBA, CPA, CA
Interim Chief Financial Officer

Tina K. Loucaides, MSc, LLB
Vice President, Secretary & General Counsel

Anthony E. Dobranowski, BSc, MBA, CPA, CA
Lead Director
Chair of the Compensation, Corporate
Governance and Nominating Committee

David A. Copeland, BMath, CPA, CA
Director

John C. London, LLB, LLM
Director

Samira Sakhia, MBA, CPA, CA
Director
Chair of the Audit Committee

Thomas Schlader, BSc
Director