Crescita Therapeutics™ Inc.

Third Quarter 2018

Management's Discussion & Analysis

Management's Discussion and Analysis (MD&A)

November 8, 2018

Basis of Presentation

This Management's Discussion and Analysis of the Financial Position and Results of Operations ("MD&A") is the responsibility of management and was reviewed and approved by the Board of Directors on November 8, 2018. While the Board of Directors is ultimately responsible for approving the MD&A, it carries out this responsibility mainly through the oversight of its Audit Committee, which is appointed by the Board of Directors and is composed of independent and financially literate directors.

Throughout this document, Crescita Therapeutics™ Inc. is referred to as "Crescita", "we", "our" or "Company". The following information should be read in conjunction with Crescita's Condensed Consolidated Interim Financial Statements and the notes thereto for the three and nine months ended September 30, 2018 and 2017. Crescita's accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information related to the Company, including its most recent Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com. All amounts in this MD&A are expressed in thousands of Canadian dollars, unless otherwise noted.

Materiality of Disclosures

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information important in making an investment decision.

Forward-looking Statements

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of its business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. Crescita's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, readers should not rely on any of these forward-looking statements. Important factors that could cause Crescita's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, the risk factors included in Crescita's most recent Annual Information Form dated March 27, 2018 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 or any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Any forward-looking statement made by the Company in this MD&A is based only on information currently available to it and speaks only as of the date on which it is made. Except as required by applicable securities laws, Crescita undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Corporate Overview

About Crescita

Crescita **(TSX: CTX)** 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, 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. Three prescription product candidates using these technologies are currently in development. Please refer to the sections entitled *Prescriptions Products* and *Technologies* for further details.

Crescita specializes in the custom manufacturing of creams, liquids, gels ointments and serums. The Company operates out of a 50,000 square-foot manufacturing facility located in Laval, Québec which produces a significant proportion of its non-prescription skincare products, such as Laboratoire Dr Renaud™ ("LDR") and Pro-Derm™. The Company is planning for the technology transfer of the manufacturing of the Alyria® line of products to its facility and anticipates completion of the transfer by the end of fiscal 2019. Formulations manufactured by or for Crescita include cosmetics, natural health products ("NHP") and products with Drug Identifications Numbers ("DIN") and are currently sold in the U.S., Canadian and Asian markets. The manufacturing facility is in compliance with current Canadian Good Manufacturing Practices ("GMP") and is regularly inspected by Health Canada.

In January 2018, upon expiry of its office lease, the Company vacated its Ontario facility in order to consolidate its operations and corporate functions to its Québec facility as part of its ongoing efforts to rationalize its cost structure and synergize its operations. The Company's registered office remains in Ontario and is located at 6733 Mississauga Road, Mississauga, Ontario.

Product Portfolio

Non-Prescription Skincare Products

Laboratoire Dr Renaud
The Laboratoire Dr Renaud skincare line is inspired by nature and joins science and aesthetics to develop personalized solutions to address daily skin challenges such as: aging; acne; rosacea; pigmentation; dehydration; sun care and sensitivity. The product line was founded in France in 1947 by Dr. Louis Raymond Renaud, a renowned French dermatologist, and became a Canadian company based in Montreal in 1963. The Laboratoire Dr Renaud skincare products are sold exclusively to professional aestheticians, in spas and aesthetic schools. Innovation and science have been at the heart of the brand since its inception. The products are designed according to the principles of biomimicry which mimic natural processes, thus making them extremely biocompatible with the skin. Crescita owns the trademark rights for the skincare line in North America, certain South American countries and the Pacific Rim as well as the worldwide rights for the formulations.

Pro-Derm™
Pro-Derm is a line of high-quality cosmeceutical products sold to physicians operating through medispas and medical 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 as well as to prevent the undesired effects of aging. Developed by a Canadian team of chemists and a dermatologist, the products are designed to achieve and maintain healthy-looking 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. Our formulas are free from parabens, dyes, perfumes, alcohol, mineral oils, and other harsh chemicals, as well as from ingredients of animal origin. Crescita owns the worldwide formulations and marketing rights for Pro-Derm.

Alyria®
Alyria is a comprehensive and sophisticated skincare line using scientific research to target major skincare concerns. Alyria offers a complete skincare solution for all patients, helping them to achieve healthier-looking skin with visible results. Alyria products target physicians and use effective concentrations of some of the world's most advanced ingredients in proven formulations, delivered through advanced skin optimizing systems. Alyria's portfolio is complementary to the Company's existing Pro-Derm line and can be purchased throughout Canada in various medispas and medical clinics. Crescita owns the worldwide marketing rights for Alyria, as well as the rights to the product formulations, which are, in some cases, on a non-exclusive basis.

Prescription Drug Products

Pliaglis®
Pliaglis is a topical local anaesthetic cream that provides safe and effective local dermal analgesia on intact skin. The formulation contains a eutectic mixture of 7% lidocaine and 7% tetracaine, the highest approved concentrations of these active ingredients by the U.S. Food and Drug Administration ("FDA"). Pliaglis utilizes our proprietary phase-changing topical cream Peel technology that 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 such as dermal filler injections, pulsed-dye laser therapy, non-ablative laser facial resurfacing and for 60 minutes prior to procedures such as 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.

In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico from Galderma Pharma S.A. ("Galderma"), a global pharmaceutical company specialized in dermatology. Beginning in 2021, Crescita has the right to reacquire the Rest of World ("ROW") rights for Pliaglis on a country-by-country basis without additional compensation if Galderma does not achieve minimum sales targets. Crescita is currently receiving a fixed single-digit royalty on net sales in the territories where Galderma still owns the development and marketing rights. Galderma is responsible for manufacturing Pliaglis for all territories where it is approved.

Flexicaine
Flexicaine is a new proprietary anesthetic formulation of 7% lidocaine and 7% tetracaine that is designed for the topical treatment of pain conditions. Flexicaine possesses improved application and removal properties compared to Pliaglis with extended patent protection to 2031 in multiple jurisdictions. It is positioned as a life-cycle extension or second generation of Pliaglis. The formulation dries to form a film which can be easily peeled from the skin once active ingredients have been delivered to the site on the body, providing a long-lasting anesthetic effect.

Out-licensing Agreement with Taro Pharmaceuticals Inc.
On April 25, 2017, the Company entered into a Development and Commercialization License Agreement ("the Agreement") with Taro Pharmaceuticals Inc. ("Taro"). Under the terms of the Agreement, Crescita granted Taro an exclusive license to sell and distribute Pliaglis and Flexicaine in the U.S. market. Crescita retained all rights to Pliaglis in Canada and Mexico and continues to explore alternatives for the preferred commercial distribution pathway for Pliaglis in these territories.

In consideration of the rights granted under the Agreement, Taro made an upfront payment of $2.7 million (US$2.0 million) to Crescita in the second quarter of 2017. Furthermore, in the third quarter 2017, the United States Patent and Trademark Office granted U.S. Patent No. 9,693,976, entitled "Solid-Forming Local Anesthetic Formulations for Pain Control" relating to the Flexicaine composition. Under the terms of the Agreement, the grant of the Flexicaine U.S. patent entitled Crescita to a $0.6 million (US$0.5 million) milestone payment which was recognized in Q3-17.

During the first quarter of 2018, the Company announced that the product was launched in the U.S. by Taro. In the current quarter, the Company recognized a sales milestone in the amount of $1.3 million (US$1.0 million) following the achievement of the first of four cumulative sales milestones by our partner.

The Company could further receive up to an additional US$4.25 million in non-dilutive development and sales milestone payments, as well as double digit 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 provides services related to the further development of Pliaglis and Flexicaine and receives fees based on services performed. These services include assisting Taro in performing the following tasks:

1) Conducting a study to support the removal of the "Not for Home Use" Pliaglis label restriction;
2) Filing the application of the label change with the FDA;
3) Transferring the manufacturing process and analytical test methods for Pliaglis to the Taro manufacturing facility in Brampton, Ontario;
4) Preparing and filing an FDA application for the approval of Flexicaine, the second-generation enhanced version of Pliaglis with extended patent protection.

In 2017, Taro completed the study to support the removal of the Pliaglis "Not for Home Use" label restriction and filed the FDA submission with the proposed label change on June 8, 2018. While there is a mandated six-month FDA review period for such applications, there can be no assurance that the FDA will complete its review within that timeframe. The approval of this submission would trigger a milestone of US$0.5 million.

In 2018, Taro also successfully completed the transfer of the manufacturing process and analytical test methods for Pliaglis to its manufacturing facility in Brampton, Ontario. A Manufacturing Site Change Supplement seeking approval for Taro's facility to manufacture Pliaglis was submitted to the FDA on July 6, 2018. The FDA approved the site addition on September 4, 2018. As a result, Taro will be able to supply commercial batches of Pliaglis for the US market once the process validation is complete. This is expected to occur in fourth quarter 2018.

MiCal 1 and MiCal 2

In April 2014, the Company entered into a collaboration agreement with MiCal - a joint venture between Ferndale and a leading U.S. contract research organization ("CRO") ("Ferndale Collaboration") - to develop two topical dermatology products based on the Company's patented MMPE technology. Under the terms of the collaboration agreement, the Company would utilize its proprietary MMPE technology to formulate two patented topical dermatology product candidates. Upon completion of the formulations, Ferndale, in collaboration with the CRO, would oversee and fund the formulation's advancement through Phase 2 clinical studies. It was anticipated that once these predetermined development milestones would successfully be completed, the product candidates would 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 plaque psoriasis. A lead formulation was identified and successfully tested in a vasoconstrictor assay ("VCA") study. A Phase 2 clinical trial ("the Trial") on MiCal 1 was initiated in early 2017 by the CRO. During the third quarter of 2017, Crescita received and reported positive topline results from the Trial. An End-of-Phase 2 meeting was held with the FDA on January 24, 2018 to further discuss the development of the product regarding its advancement to Phase 3 as well as requirements for future FDA approval to market the product. Based on the feedback provided by the FDA, the clinical study protocols for the two pivotal Phase 3 studies were prepared and submitted to the FDA along with additional relevant information to support the initiation of Phase 3 clinical development. The Phase 3 clinical studies were successfully initiated in the fourth quarter 2018. Originally, it was anticipated that out-licensing efforts would be deployed after the completion of Phase 2 clinical studies, however, due to the need to resolve several questions related to Phase 3 development with the FDA, efforts were focused on confirming the design of the pivotal Phase 3 studies in a timely manner. In order to maintain the timelines for the eventual submission of the New Drug Application ("NDA"), MiCal decided to move forward with the Phase 3 study, and it is now anticipated that the product candidate would be made available for out-licensing during or after the completion of Phase 3 clinical development. Licensing revenues would be shared between the parties, where Crescita's share would reflect its contribution of the patented formulations. Crescita needs to decide whether to

participate in the funding of the Phase 3 clinical development, which may have an impact on Crescita's share of licensing proceeds.

The second MiCal product, MiCal 2, is a topical formulation also utilizing the Company's patented MMPE technology to treat a dermatological skin condition. Initial formulation efforts for MiCal 2 were completed in the second quarter 2018 and an Investigational New Drug ("IND") application updated was filed on June 25, 2018 including details on the formulations to be evaluated in the first planned Phase 1 VCA study. The IND update was accepted by the FDA and the initial Phase 1 VCA study designed to evaluate the relative potency of several formulations being evaluated for further development, was initiated early in the fourth quarter of 2018.

Commercial and 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 a multi-disciplinary Research & Development ("R&D") Product Committee that screens and identifies new products to be developed or existing products to be upgraded. These new products are primarily selected based on sales and marketing trends, but also include regulatory, manufacturing and cost considerations. The non-prescription skincare products under development are usually kept confidential for competitive reasons.

Prescription Products

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

The following table summarizes the Company's key prescription products and product candidates:

Product	Therapeutic Area	Stage of Development	Intellectual Property [2]
Pliaglis	Local anesthesia prior to cosmetic dermatology procedures	Commercial	Patents granted in the U.S. until 2019 and until 2020 in ROW. Patent pending in the U.S. through 2031.
Flexicaine	Local anesthesia prior to cosmetic dermatology procedures	Phase 3	Patents granted in AU, CA, CN, AT, BE, CH, DE, ES, FR, GB, GR, IT, LU, NL, PL, TR, HK, JP, MX, RU and the U.S. with latest expiring in 2031. Applications pending in 3 countries including the U.S. Latest anticipated expiry date is 2031.
MiCal 1 [1]	Plaque Psoriasis	Phase 3	Patents granted in the U.S. expiring in 2027 and a PCT application filed October 21, 2016.
MiCal 2 [1]	Dermatological skin treatment	Phase 1	Patents granted in the U.S. expiring in 2027 and a PCT application filed October 16, 2016.
Dermatology products utilizing MMPE [3]	Prescription treatments of skin diseases	Pre-clinical	Patent granted in the U.S. expiring in 2027. Patent pending through 2027.

1. MiCal 1 and 2 are products being developed under the Ferndale Collaboration.
2. Country abbreviations defined as follows: Australia (AU), Canada (CA), China (CN), Austria (AT), Belgium (BE), Switzerland (CH), Germany (DE), Spain (ES), France (FR), Great Britain (GB), Greece (GR), Italy (IT), Luxembourg (LU), Netherlands (NL), Poland (PL) Turkey (TR), Hong Kong (HK), Japan (JP), Mexico (MX), Russian Federation (RU), United States (U.S.), Patent Cooperation Treaty (PCT).
3. Crescita has licensed the MMPE technology to a U.S.-based, major dermatological CRO. The Licensee, in this case, will oversee and fund the total cost of the development program.

Technology

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

Peel and DuraPeel™
The Peel and DuraPeel technologies are self-occluding, film-forming cream/gel formulations that provide extended release delivery to the site of application. The cream/gel contains a drug, that when applied to a patient's skin, forms a pliable layer that releases the active ingredient into the skin for up to 12 hours. The benefits of the Peel and DuraPeel technologies include proven compatibility with a variety of active pharmaceutical ingredients ("APIs"). A self-occluding film reduces product transference risk, provides fast drying time, facilitates easy application and removal, and enables application to large and irregular skin surfaces. While the Peel technology typically involves a single solvent that dries to form a pliable film, the DuraPeel technology involves a two-solvent system which includes: 1) a volatile solvent component that dries to form a self-occluding film and 2) a non-volatile solvent component that remains in the formulation to facilitate prolonged release of the active from the formulation into the skin. Peel technology patents have been issued in 21 countries including the US, with the latest expiring in 2031. Patent applications are pending in 3 countries. DuraPeel patents have been issued in Australia, Canada, Japan and the U.S. with the latest expiry in 2027. The European patent application is pending.

MMPE™
The MMPE technology uses synergistic combinations of pharmaceutical excipients included in the FDA's Inactive Ingredient Database 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. In addition, a U.S. application is pending through 2027 and a Patent Cooperation Treaty application was filed on October 21, 2016.

Skin Permeation Study Using MMPE and DuraPeel
On October 15, 2018 the Company announced that its patented transdermal delivery technologies, MMPE and DuraPeel, have demonstrated enhanced permeation of Cannabidiol ("CBD"), the non-psychoactive component of cannabis, in a recent in-vitro skin permeation study performed in Franz Diffusion Cells.

The study, using human cadaver skin, was performed by an independent Southern California-based laboratory specializing in the transdermal delivery of actives, showed that both MMPE and DuraPeel significantly increased the transdermal permeation of CBD over the control formulation by up to 14 and 6-fold, respectively. CBD has been associated with antiseizure, antioxidant, neuroprotective, anxiolytic, anti-inflammatory, antidepressant, and antipsychotic effects. These proprietary technologies have already been successfully utilized in a number of topical products to enhance the delivery of different active ingredients. The Company has expertise in developing and manufacturing topical and transdermal skincare products for a wide variety of conditions and is interested in engaging with partners to develop and commercialize cannabinoid-containing products. Crescita's management has entered into exploratory discussions with a number of potential partners. However, notwithstanding the Company's best efforts, there can be no certainty that we will secure commercial/development partners.

Corporate Vision and Growth Strategy

Crescita's vision is to become a leader in innovative, science-based skincare, providing improved outcomes for all our clients' skincare concerns. Supported by our in-house expertise in skin sciences, including over 250 formulations and three topical delivery technologies developed by our in-house R&D team, Crescita's management believes that it is well positioned to carry out its commercial growth plan for 2018.

Crescita's growth strategy is executed through four distinct pillars, which we refer to as our "four-pillar growth strategy":

Pillar 1: Organic Growth
The first pillar involves growing our existing non-prescription portfolio and monetizing our prescription product in Canada. On the non-prescription side of the business, the Company's aim is to: 1) increase market share and sales of our well-established brands such as LDR, Alyria and Pro-Derm, and 2) expand our product offering through innovation and line extensions, leveraging Crescita's superior quality science-based formulations and topical delivery technologies. On the prescription side of the business, the Company will be exploring alternatives for the preferred commercial distribution pathway for Pliaglis in Canada, this product was launched in the U.S. market by Taro in Q1-18. Management is also actively seeking commercial distribution partnerships with Canadian retailers and/or wholesalers for the sale and distribution of its branded skin care products.

Pillar 2: Strategic Acquisitions and/or In-licensing Agreements
The second pillar involves the potential acquisition of dermatology and/or skincare companies offering product portfolios which are complementary to our own within the non-prescription and/or prescription markets. Management remains open to acquiring assets or businesses that will be immediately accretive and are strategic in the context of the Company's growth plan. The Company is also actively seeking in-licensing agreements with partners in local and international markets for new and complementary brands as well as prescription products. Such transactions would allow the Company to leverage its current infrastructure and to build a large, successful North American skincare company serving both the non-prescription and prescription markets.

Pillar 3: International Markets and/or Out-licensing Agreements
The third growth pillar consists of plans to expand our international presence through further global business development initiatives which involve new market penetration of our non-prescription medical skincare product lines and prescription products as well as product candidates such as MiCal 1 and MiCal 2 through collaborative strategic commercial partnerships. The Company is also actively seeking out-licensing agreements with commercial partners in local and international markets for its well-established brands as well as prescription product and prescription product candidates. Management also plans to grow internationally by offering our technologies and portfolio of more than 250 product formulations for private label skincare products.

Pillar 4: Contract Manufacturing Services
The fourth growth pillar aims to maximize the utilization of the Company's manufacturing facility in Laval, Québec, as it has yet to operate at full capacity. As mentioned, Crescita specializes in the custom manufacturing of creams, liquids, gels ointments and serums. Crescita's management is actively seeking customers to forge lasting partnerships and to become a third-party contract manufacturing organization ("CMO") of choice by offering its customers high quality, cost-effective CMO services from our 50,000-square foot facility. Crescita delivers innovative turnkey manufacturing of skin care products which integrate production with in-house R&D, supply chain management, regulatory and quality assurance /quality control functions.

Competitive Conditions

There have been no significant changes to the description outlined in our 2017 Annual Report. For further details please refer to the heading "Competitive Conditions" on page 44 of the 2017 Annual Report, which can be found on Crescita's website at www.crescitatherapeutics.com and which has been filed with the Canadian Securities Administrators on Sedar at www.sedar.com.

Key Q3-18 and Subsequent to Quarter-end Highlights

- Revenue of $4.5 million, including $1.1 million in royalty revenue on the net sales of Pliaglis and a $1.3 million (US$1.0 million) sales milestone, an increase of $1.7 million or 64.1% vs Q3-17;
- Operating expenses down $0.1 million versus Q3-17 and $1.5 million on a year-to-date basis;
- Adjusted EBITDA[1] of $0.8 million, up $1.8 million versus Q3-17, and an improvement of $2.1 million on a year-to-date basis;
- Total cash utilized during the quarter of $0.9 million, resulting in an ending cash and cash equivalents balance of $8.2 million as at September 30, 2018, compared to $9.1 million in Q2-18;
- Reported favourable results from a skin permeation study using our patented technologies, MMPE™ and DuraPeel™, demonstrating significantly increased transdermal permeation of Cannabidiol ("CBD") over the control formulation by up to 14- and 6-fold, respectively;
- Launched five product innovations on November 5 in our non-Rx business, leveraging our patented MMPE™ technology and Ecobiotys®,[2], a new award-winning prebiotic. Due to our expertise and product development speed, Crescita is one of the very first companies worldwide to release a product formulation using Ecobiotys®,[2].

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[1] Adjusted EBITDA is a non-IFRS measure. Please refer to the *Non-IFRS and Key Financial Measures* and the *EBITDA and Adjusted EBITDA Reconciliation* sections of this MD&A.

[2] ECOBIOTYS® by Silab is an innovative biomimetic ingredient developed to address skin complexion improvement. ECOBIOTYS® won the Gold Award of the Innovation Zone Best Active Ingredient at the in-cosmetics Asia show as well as the Best Active Ingredient Bronze Award at in-cosmetics Global 2018. To find out more, please visit https://www.silab.fr/produit-105-ecobiotys_usa.html.

Significant Transactions

Fiscal 2018

Recognition of Other Income

On June 29, 2018 the Company entered into an agreement relating to a $1.0 million historical liability owing under a previous acquisition concluded in 2016. Pursuant to the terms of the agreement, in consideration for INTEGA releasing the counterparty from any potential future claims under the agreement, INTEGA no longer has to pay a portion of that liability equal to $0.7 million. The resulting benefit was recorded as a Gain on Settlement included in Other Income on the Consolidated Statement of Income (Loss). Total Other Income also includes: 1) consideration received relating to planned facility upgrades pursuant to deficiency claims under the aforementioned acquisition and a reimbursement with respect to previously rendered contract manufacturing services, and 2) a gain related to a contingent consideration receivable from another previous acquisition, under the terms of which the Company is entitled to be compensated if certain sales targets and levels of inventory consumption are not achieved.

Completion of Rights Offering, Raising $3.7 million

On March 9, 2018 the Company completed its Rights Offering, upon which 7,001,603 Class A common shares were issued for gross proceeds of $3.7 million. In completing the Offering, the Company incurred issuance costs of approximately $0.2 million. Total subscriptions, including those exercised pursuant to the additional subscription privilege, represented 139% of the common shares available under the Offering. A total of 4,558,521 common shares were issued pursuant to the basic subscription privilege of the Offering, while a total of 2,443,082 Common Shares were issued pursuant to the additional subscription privilege. Immediately following completion of the Offering, Crescita had 21,004,809 Common Shares issued and outstanding. In connection with the Offering, Crescita obtained an irrevocable waiver from Knight Therapeutics Inc. ("Knight") of certain provisions of the Amended and Restated Loan Agreement, allowing Crescita to benefit from 100% of the net proceeds of the Offering. Bloom Burton Securities Inc. was paid a commission equal to 1.0% of the gross subscription proceeds received by Crescita from the exercise of rights, other than those rights exercised

by insiders of Crescita or in connection with certain backstop commitments, being $26, as soliciting dealer in connection with the Rights Offering.

Update on Liquidity

Our objectives when managing our liquidity and capital structure are to maintain sufficient cash to fund our operations and organic growth to enable us to continue as a going concern, and to meet contractual obligations as they become due. As at September 30, 2018, Crescita had working capital of $9.7 million [$6.3 million at December 31, 2017], an accumulated deficit of $(45.3) million and used total cash of $0.9 million during the quarter. Our ability to reach profitability is dependent on the successful implementation of our four-pillar growth strategy. On March 9, 2018, the Company completed its Rights Offering and received $3.5 million in net proceeds, which strengthened our ability to carry out our corporate growth strategy for fiscal 2018. While management is confident in the future success of the business, there can be no assurance that our products will gain adequate market penetration or acceptance or generate sufficient revenue to reach profitability.

Management has applied significant judgement in preparing forecasts supporting the going concern assessment and has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for at least the next twelve months. Management has considered many factors including its current cash balance, the proceeds from its equity financing arrangements and the projected revenues it expects to generate from product sales, upfront and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis®. Management has also estimated anticipated cash outflows such as operating and capital expenditures and debt repayment requirements, including the ability to delay uncommitted expenditures, and assessed that it will have sufficient cash flows to fund Crescita's operations as currently planned past fiscal 2019. These cash flow estimates are subject to uncertainties as to the achievement of certain key factors considered in the cash flow analysis.

Foreign Exchange Rates

Crescita operates globally and as such is exposed to changes in foreign currency rates. Accordingly, as prescribed by IFRS, we value assets, liabilities and transactions measured in foreign currencies using various exchange rates.

We report all dollar amounts in Canadian dollars. Please refer to *Financial Instruments - Currency Risk* for a further discussion on the impact of foreign currency fluctuations on our results of operations.

	For the three months ended September 30,			For the nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
U.S. dollar	**1.3068**	1.2526	*4.3%*	**1.2876**	1.3068	*-1.5%*
Euro	**1.5201**	1.4716	*3.3%*	**1.5382**	1.4537	*5.8%*

As at September 30,	2018	2017	Change
U.S. dollar	**1.2945**	1.2480	*3.7%*
Euro	**1.5020**	1.4742	*1.9%*

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 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.

Reclassifications

Certain comparative financial figures have been reclassified from those previously presented to conform to the presentation in the 2018 Interim Financial Statements.

Non-IFRS and Key Financial Measures

The Company reports its financial results in accordance with IFRS. However, we use certain non-IFRS financial measures to assess our Company's performance. We believe these to be useful to management, investors and other financial stakeholders in assessing Crescita's performance from both a financial and operational standpoint. The non-IFRS measures used in this MD&A do not have any standardized meaning prescribed by IFRS and are therefore not comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

The following are the non-IFRS and key financial measures used by Management to assess the underlying financial performance of the Company alongside their respective definitions:

Profitability	• **EBITDA *(non-IFRS)*** – is defined as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization. A reconciliation of EBITDA to its closest IFRS measure can be found under the *EBITDA and Adjusted EBITDA* section of this MD&A. • **Adjusted EBITDA *(non-IFRS)*** – is defined as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization, gain on settlement, other income, equity-settled stock-based compensation ("SBC"), gain on debt renegotiations, goodwill and intangible assets impairment, accretion on the fair value of inventory and foreign currency gains (losses), as applicable. Management believes that Adjusted EBITDA is an important measure of operating performance and cash flow and provides useful information to investors as it highlights trends in the underlying business that may not otherwise be apparent when relying solely on IFRS measures. A reconciliation of the adjusted EBITDA to its closest IFRS measure can be found under the *EBITDA and Adjusted EBITDA* section of the present document. • **Net income (loss) from continuing operations** – is a measure of earnings or loss generated by the Company during the period, prior to the impact of any discontinued operations.
Liquidity	• **Cash provided by (used in) operating activities –** is a measure of cash generated from or (used in) managing our day-to-day business operations. We believe that operating cash flow is indicative of financial flexibility, allowing us to execute our four-pillar growth strategy.

During the second quarter 2018, Management expanded the calculation of Adjusted EBITDA to exclude the gain on settlement and other income, which are not recurring in nature. In addition, the EBITDA measure was added to our non-IFRS measures.

Selected Financial Information

in thousands of CAD except per share data and number of shares	Three months ended September 30, 2018	2017	Change $	Nine months ended September 30, 2018	2017	Change $
Revenues	**4,464**	2,720	1,744	**10,424**	9,658	766
Total operating expenses	**4,081**	4,227	(146)	**12,193**	13,715	(1,522)
Total other (expenses) income	**(14)**	1,050	(1,064)	**1,078**	1,008	70
Net income (loss) from continuing operations	**369**	(457)	826	**(691)**	(3,049)	2,358
Net loss from discontinued operations	**-**	(56)	56	**(25)**	(157)	132
Net income (loss)	**369**	(513)	882	**(716)**	(3,206)	2,490
Adjusted EBITDA[1]	**846**	(974)	1,820	**(328)**	(2,425)	2,097
Net income (loss) from continuing operations per common share						
Basic and Diluted	**$ 0.02**	$ (0.03)	$ 0.05	**$ (0.04)**	$ (0.22)	$ 0.18
Net income (loss) per common share						
Basic and Diluted	**$ 0.02**	$ (0.03)	$ 0.05	**$ (0.04)**	$ (0.23)	$ 0.19
Weighted average number of common shares outstanding						
Basic and Diluted	**21,016**	14,003	7,013	**19,265**	13,958	5,307

[1] Adjusted EBITDA is a non-IFRS measure and is defined as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization, gain on settlement, other income, SBC, gain on debt renegotiations, goodwill and intangible assets impairment, accretion on the fair value of inventory and foreign currency gains (losses), as applicable.

In thousands of CAD dollars	September 30, 2018	December 31, 2017
Cash and cash equivalents	**8,213**	6,997
Total assets	**24,780**	22,565
Total non-current financial liabilities[1]	**3,317**	3,597
Total liabilities	**8,709**	9,458
Total equity	**16,071**	13,107

[1] Non-current financial liabilities are defined as the sum of the long-term portions of long-term debt, convertible debentures and other obligations.

Outstanding Share Data

The following table provides a summary of the capital stock, stock options and SAR's outstanding as at November 7, 2018:

	As at November 7, 2018
Common shares	21,016,059
Stock options[1]	2,162,060
Convertible debentures[2]	1,000,000
Warrants	660,823
Share Appreciation rights (SARs)[3]	51,860

[1] This amount includes 924,685 options which have vested.
[2] The convertible debentures are convertible into common shares at the option of the holder at a conversion price of $1.00 per share.
[3] On February 18, 2016, the shareholders of Nuvo Research Inc. approved a resolution to allow SARs to be equity settled.

On March 9, 2018, 7,001,603 Class A common shares were issued from treasury, upon the completion of the Rights Offering. On June 15, 2018, 11,250 shares were issued from treasury following the exercise of stock options by an employee. Crescita had 21,016,059 shares issued and outstanding as at November 7, 2018.

Results of Operations

Revenue

In thousands of CAD dollars	Three months ended September 30, 2018	2017	Change $	Nine months ended September 30, 2018	2017	Change $
Product sales	**2,076**	1,966	110	**6,320**	5,966	354
Out-licensing revenue	**2,379**	675	1,704	**4,077**	3,466	611
Services revenue	**9**	79	(70)	**27**	226	(199)
Total revenues	**4,464**	**2,720**	1,744	**10,424**	**9,658**	766

For the three months ended September 30, 2018, total revenues were $4.5 million compared to $2.7 million in the corresponding quarter of the prior year, representing an increase of $1.7 million or 64.1%. The increase came primarily from out-licensing activities almost exclusively related to the commercialization of Pliaglis in the U.S. During the quarter, the Company recognized a sales milestone of $1.3 million (US$1.0 million) following the achievement of the first of four cumulative sales milestones per the Agreement with Taro, as well as $1.1 million in royalty revenue. During the third quarter 2017, the Company recognized a $0.6 million (US$0.5 million) milestone payment from Taro following the issuance of a patent by the United States Patent and Trademark Office in relation to the Flexicaine composition, which did not repeat this quarter.

For the nine months ended September 30, 2018, total revenues were $10.4 million compared to $9.7 million in the corresponding nine-month period of the prior year, representing an increase of $0.8 million or 7.9%. The increase came primarily from out-licensing activities, as described above, while product sales were ahead of the prior year by $0.4 million, mainly driven by the incremental revenue from Alyria. The corresponding nine-month period of 2017 included $3.3 million of non-recurring revenue: the up-front payment of $2.7 million (US$2.0 million) related to the out-licensing of Pliaglis in the U.S, as well as the milestone payment of $0.6 million (US$0.5 million) as described above.

Product Sales
Product sales consist of sales from branded products in our non-prescription skincare product portfolio: LDR, Pro-Derm, and Alyria. Product sales also include export sales from LDR, which is currently sold in South Korea and Malaysia through distributors, as well as CMO sales. The Company recognizes revenue from the sale of products when the goods are shipped or received by the customers depending on the specific arrangement.

Product sales for the quarter ended September 30, 2018 were $2.1 million, representing a slight increase of $0.1 million or 5.6% year-over-year, mainly due to the incremental sales of Alyria and the higher demand for our CMO services as a result of our sustained efforts to develop this market, partly offset by lower sales from LDR.

Product sales for the nine months ended September 30, 2018 were $6.3 million compared to $6.0 million in the first nine months of the prior year, representing an increase of $0.4 million or 5.9%. The increase was primarily related to the incremental sales of Alyria year-over-year as well as growth in Pro-Derm, a medical spa brand, and our CMO business, partly offset by a decrease in LDR sales. On November 5, 2018, the Company completed the launch of five product innovations within the LDR line, one of which leverages our in-house proprietary MMPE technology and our superior anti-ageing formulations. Management believes that these initiatives may support a ramp-up in sales over the course of the next 12 months.

The aesthetic spa business into which we sell our lead brand, LDR, is extremely competitive and renders gaining market share challenging. Consumer awareness of our brands, their perception of our value proposition, and the effectiveness and reach of our marketing and promotional activities, all have a direct impact on our ability to be successful and generate growth.

Out-licensing Revenue
Out-licensing revenue includes upfront and milestones payments as well as royalties based on the net sales recognized by the Company's licensees. During the first quarter of 2018, the Company announced the U.S. launch of Pliaglis by Taro. Under the Agreement, Taro has the exclusive rights to sell and distribute Pliaglis and Flexicaine in the U.S. Taro is responsible for all sales and marketing efforts as well as for all matters related to Pliaglis in this market. The Company earns tiered double-digit royalty on Taro's net sales.

All other royalty revenue was related to the global net sales of Pliaglis by Galderma. The amount of the royalty is determined using agreed upon formulas based on the definition of the licensee's net sales as described in the licensing agreement. The Company earns a fixed single-digit royalty on Galderma's net sales.

For the three months ended September 30, 2018, the Company recognized $2.4 million in out-licensing revenue, including $1.1 million in royalties on the global net sales of Pliaglis and a $1.3 million (US$1.0 million) sales milestone triggered by our partner achieving the first of four cumulative sales milestones in the U.S. While the significant royalty revenue recognized in the first quarter of 2018 immediately following the launch was primarily on sales to fill the distribution channel in the U.S. market, we have continued to see growth, with royalty revenue more than tripling versus Q2-18. In the third quarter of 2017, Crescita had received a milestone payment of $0.6 million (US$0.5 million) following the issuance of a patent by the United States Patent and Trademark Office in relation to the Flexicaine composition, which did not repeat in the current year.

During the nine months ended September 30, 2018 out-licensing revenue was $4.1 million, compared to $3.5 million for the nine months ended September 30, 2017, representing an increase of $0.6 million or 17.6%. The 2018 year-to-date period included $2.7 million of royalty revenue following the launch of Pliaglis in the U.S. in Q1-18, and a $1.3 million (US$1.0 million) sales milestone, as described above. The 2017 nine-month period included an up-front payment of $2.7 million (US$2.0 million) related to the out-licensing of Pliaglis in the U.S, and the milestone payment of $0.6 million (US$0.5 million) related to the issuance of the Flexicaine composition patent, both of which did not repeat in 2018.

Services Revenue
For the three and nine months ended September 30, 2018, Crescita earned $nil for services provided to Nuvo under the terms of the transitional services agreement ("TSA"), compared to $29 and $0.1 million in the comparable three and nine months of 2017. Immediately following the Reorganization on March 1, 2016, Crescita and Nuvo had entered into a reciprocal TSA which was primarily for specific legal counsel as well as general corporate-level services. The TSA was terminated on June 30, 2018.

For the three and nine months ended September 30, 2018, the Company also recorded $9 and $27, respectively for development services provided to Taro, compared to $50 and $0.1 million recorded in the comparable nine months of 2017. These amounts are in accordance with the fee-for-service development agreement with Taro, whereby, the Company provides services related to the further development of Pliaglis and Flexicaine.

Operating Expenses

	Three months ended September 30,		Change	Nine months ended September 30,		Change
In thousands of CAD dollars	2018	2017	$	2018	2017	$
Cost of goods sold	**1,350**	1,180	170	**3,681**	3,141	540
Research and development	**264**	252	12	**770**	942	(172)
Selling, general and administrative	**2,342**	2,647	(305)	**7,362**	9,426	(2,064)
Interest expense	**151**	148	3	**451**	254	197
Interest income	**(26)**	-	(26)	**(71)**	(48)	(23)
Total operating expenses	**4,081**	4,227	(146)	**12,193**	13,715	(1,522)

Total operating expenses for the three and nine months ended September 30, 2018 were $4.1 million and $12.2 million, compared to $4.2 million and $13.7 million, for the corresponding periods of 2017, representing year-over-year decreases of $0.1 million or 3.5%, and $1.5 million or 11.1%, respectively.

Cost of Goods Sold
The cost of goods sold ("COGS") primarily includes: the cost associated with manufacturing and packaging our products, depreciation of manufacturing facilities and equipment, provisions for inventory obsolescence, the cost of products purchased from third parties, as well as the cost related to earning out-licensing revenue.

For the three months ended September 30, 2018, total COGS were $1.4 million, compared to $1.2 million for the three months ended September 30, 2017. Included in total COGS for Q3-18 was $1.2 million related to product sales and $0.2 million in costs related to generating out-licensing revenue. This compared to COGS of $1.2 million and $13, for product sales and out-licensing revenue, respectively in the prior year's quarter.

In the current quarter, gross margin on product sales was $0.9 million or 42%, compared to $0.8 million or 41% for the quarter ended September 30, 2017. The year-over-year increase in gross margin was primarily driven by our product mix. Product mix has a considerable impact on our margins and varies along with marketing promotions and other incentives offered by the Company to its customers and may fluctuate over time.

For the nine-month periods ended September 30, 2018 and 2017, total COGS were $3.7 million, compared to $3.1 million. Included in total COGS for the 2018 year-to-date period was $3.3 million related to product sales and $0.4 million in costs related to generating out-licensing revenue, compared to COGS of $3.1 million and $60, respectively for product sales and out-licensing revenue for the 2017 year-to-date period. The increase in COGS related to earning out-licensing revenue was mainly a result of the higher net sales of Pliaglis in the current year. The 2017 period also included a fair value adjustment resulting from the INTEGA acquisition of $0.4 million.

Gross margin on product sales for the current nine-month period, was $3.1 million or 49%, compared to $2.9 million or 48% for the nine months ended September 30, 2017. Excluding the fair value adjustment defined above, the gross margin for the year-to-date period of 2017 would have been $3.3 million or 55%. The decrease in gross margin year-over-year was mainly due to one-time favourable inventory adjustments and purchase price variances recorded in the prior year as well as product mix, as referred to above.

Research and Development
R&D expenses are mainly composed of employee compensation costs, depreciation of R&D equipment, clinical trial costs, clinical manufacturing and scale-up costs and other third-party laboratory testing costs.

In the normal course of its business, the Company allocates a significant proportion of its R&D resources to the rejuvenation of its non-prescription skincare lines for product development and product reformulations, as well as to support its CMO business. Such product portfolio rejuvenation and innovation activities are ongoing and are a key success factor for Crescita, allowing the Company to remain competitive in its offering.
To a lesser extent, the Company also incurs clinical development costs related to our prescription products which are, in large part, reimbursed by our development and/or commercial partners: Ferndale Laboratories in the case of MiCal 1 and MiCal 2 and Taro in the case of Flexicaine. R&D expenditures vary depending on the stage of development of products and product candidates in Crescita's pipeline and management's allocation of Crescita's internal resources to these activities and to each product specifically. Costs borne by Crescita are limited to pre-clinical testing costs as well as costs related to the formulations and developments of test batches.

For the three and nine months ended September 30, 2018, R&D expenses amounted to $0.3 million and $0.8 million, respectively. When comparing Q3-18 to Q3-17, R&D costs were flat, while for the year-to-date period the R&D spend decreased by $0.2 million versus the comparable nine months of 2017. The decrease was primarily a result of cost rationalization efforts, as well as the benefit of in-sourcing certain laboratory testing which was previously performed by third party laboratories.

Selling, General and Administrative
For the three months ended September 30, 2018, SG&A expense was $2.3 million, representing a decrease of $0.3 million when compared to the $2.6 million reported for the three months ended September 30, 2017. The year-over-year improvement in SG&A was mainly driven by savings in headcount-related costs as a result of the reorganization of various corporate functions and the centralization of the Company's operations to its

Laval facility; a reduction in professional and consulting fees in connection with regulatory matters as well as a reduction in logistics costs following the renegotiation of terms with our third-party provider.

For the nine months ended September 30, 2018, SG&A expense was $7.4 million, down $2.0 million from the $9.4 million incurred in the nine months ended September 30, 2017. The year-over-year decrease was mainly a result of the same factors as described above. During the second half of fiscal 2017, the Company completed the relocation of its corporate head office as well as its core SG&A functions to its Québec facility, as part of its ongoing efforts to rationalize its cost structure and synergize its operations.

Interest
Interest expense was $0.2 million and $0.5 million for the three and nine months ended September 30, 2018, compared to $0.1 million and $0.3 million reported for the three and nine months ended September 30, 2017. These amounts primarily related to the Knight Loan, net of amortization of the fair value adjustments, as well as the interest accretion on other obligations related to the acquisition of Alyria and on the convertible debentures.

Other (Expenses) Income

	Three months ended September 30,		Change	Nine months ended September 30,		Change
In thousands of CAD dollars	2018	2017	$	2018	2017	$
Gain on settlement	**-**	-	-	**650**	-	650
Other income	**7**	-	7	**452**	-	452
Foreign currency (loss)	**(21)**	(29)	8	**(24)**	(71)	47
Gain on debt renegotiations, net	**-**	1,079	(1,079)	**-**	1,079	(1,079)
Total other income (expenses)	**(14)**	**1,050**	(1,064)	**1,078**	**1,008**	70

Gain on Settlement
On June 29, 2018 the Company entered into an agreement relating to a $1.0 million historical liability owing under a previous acquisition concluded in 2016. Pursuant to the terms of the agreement, in consideration for INTEGA releasing the counterparty from any potential future claims under the agreement, INTEGA no longer has to pay a portion of that liability equal to $0.7 million. The resulting benefit was recorded as a Gain on Settlement included in Other Income on the Consolidated Interim Statement of Income (Loss).

Other Income
For the three and nine months ended September 30, 2018, the Company recorded $7 and $0.5 million, respectively in Other Income. The year-to-date amount was mainly composed of the following: 1) consideration received relating to planned facility upgrades pursuant to deficiency claims under the aforementioned previous acquisition and a reimbursement with respect to previously rendered contract manufacturing services, and 2) a gain related to a contingent consideration receivable from another previous acquisition, under the terms of which the Company is entitled to be compensated if certain sales targets and levels of inventory consumption are not achieved.

Foreign Currency Loss
For the three and nine months ended September 30, 2018, the Company incurred net foreign currency losses of $21 and $24, respectively, compared to losses of $29 and $0.1 million for the comparable periods of 2017. The losses were primarily driven by the timing of payments and settlements of foreign currency denominated balances.

Gain on Debt Renegotiations, net
During the third quarter of 2017, the Company renegotiated the terms of the original Knight loan. As the terms of the amended loan were substantially different from the original loan, the renegotiation created a debt extinguishment for accounting purposes and the original loan was derecognized with the amended loan being recognized at fair value. The difference in the fair value of the amended loan and the carrying value of the original loan resulted in the reported gain of $1.1 million, net of transaction costs in that period.

Net Income (Loss) and Net Earnings (Loss) per Common Share

In thousands of CAD dollars except per share data	Three months ended September 30, 2018	2017	Change $	Nine months ended September 30, 2018	2017	Change $
Net income (loss) from continuing operations	**369**	(457)	826	**(691)**	(3,049)	2,358
Net loss from discontinued operations	**-**	(56)	56	**(25)**	(157)	132
Net income (loss)	**369**	(513)	882	**(716)**	(3,206)	2,490
Weighted average number of common shares outstanding - basic and diluted	**21,016**	14,003	7,013	**19,265**	13,958	5,307
Net income (loss) per common share from continuing operations - basic and diluted	**$ 0.02**	$ (0.03)	$ 0.05	**$ (0.04)**	$ (0.22)	$ 0.18
Net income (loss) per common share - basic and diluted	**$ 0.02**	$ (0.03)	$ 0.05	**$ (0.04)**	$ (0.23)	$ 0.19

Net Income (Loss) from Continuing Operations
Net income from continuing operations for the quarter ended September 30, 2018 was $0.4 million, compared to a net loss of $(0.5) million in the prior year's quarter. The year-over-year improved profitability was mainly due to the combined effect of: 1) the recognition of a $1.3 million sales milestone upon the achievement of the first tier of the cumulative U.S. sales of Pliaglis by our licensee; 2) the incremental royalty revenue on the U.S. net sales of Pliaglis of $0.9 million; 3) the reduction of $0.3 million in SG&A expenses, partly offset by these non-recurring benefits recorded in Q3-17: 4) the $0.6 million (US$0.5 million) milestone related to the Flexicaine composition and the 5) the gain on the renegotiation of the Knight loan of $1.1 million.

For the nine-month periods ended September 30, 2018 and 2017, net loss from continuing operations was $(0.7) million and $(3.0) million, respectively. The year-over-year improvement was primarily a result of 1) the incremental royalty revenue on the U.S. net sales of Pliaglis of $2.7 million; 2) the recognition of a $1.3 million sales milestone, as described above; 3) the non-recurring benefit of the gain on settlement and Other Income of $1.1 million recorded in Q2-18; 4) the reduction in operating expenses of $1.5 million versus the prior year, mainly SG&A, resulting from the Company's sustained efforts at rationalizing its cost structure; partly offset by the same non-recurring benefits recorded in 2017 as described for the quarter, as well as 5) the up-front payment of $2.7 million received upon the signing of the out-licensing agreement with Taro in Q2-17.

Net Loss from Discontinued Operations
Net loss from discontinued operations was $nil and $25 for the three and nine months ended September 30, 2018, compared to a net loss of $56 and $0.2 million in the comparable periods of the prior year. In 2017, the Company incurred certain costs, mostly legal and accounting fees, to complete the requisite regulatory filings required as part of the wind-down process for the Immunology Group.

Net Income (Loss)
Net income was $0.4 million for the three months ended September 30, 2018, an improvement of $0.9 million when compared to the net loss of $(0.5) million reported for the quarter ended September 30, 2017. For the year-to-date periods of 2018 and 2017, net loss was $(0.7) million and $(3.2) million, respectively, representing an improvement of $2.5 million. The year-over-year variances for both periods were mainly driven by the same factors as identified above. Please refer to the *Net Income (Loss) from Continuing Operations and Net Loss from Discontinued Operations* sections.

Net Income (Loss) per Common Share and Weighted Average Number of Shares Outstanding
Net income per share was $0.02 for the quarter ended September 30, 2018, an improvement of $0.05 when compared to the net loss per share of $(0.03) reported for the three months ended September 30, 2017. The weighted average number of shares outstanding on a basic and diluted basis was 21.0 million for the quarter

just ended, an increase of 7.0 million Class A shares as a result of the successful completion of the Rights Offering in March 2018 and the exercise of stock options by an employee.

EBITDA and Adjusted EBITDA Reconciliation

The following table provides a reconciliation between net income (loss) from continuing operations, as reported in accordance with IFRS, and EBITDA and Adjusted EBITDA, for the three and nine months ended September 30, 2018 and 2017.

	Three months ended September 30,		Change	Nine months ended September 30,		Change
In thousands of CAD dollars	2018	2017	$	2018	2017	$
Net income (loss) from continuing operations	**369**	(457)	826	**(691)**	(3,049)	2,358
Add:						
Depreciation and amortization	**285**	297	(12)	**864**	853	11
Interest expense, net	**125**	148	(23)	**380**	206	174
EBITDA	**779**	**(12)**	**791**	**553**	**(1,990)**	**2,543**
Add:						
Equity-settled stock-based compensation	**53**	88	(35)	**197**	202	(5)
Accretion on fair value of inventory	**-**	-	-	**-**	371	(371)
Foreign currency loss	**21**	29	(8)	**24**	71	(47)
Less:						
Other income and Gain on settlement	**7**	-	7	**1,102**	-	1,102
Gain on renegotiations, net	**-**	1,079	(1,079)	**-**	1,079	(1,079)
Adjusted EBITDA	**846**	**(974)**	**1,820**	**(328)**	**(2,425)**	**2,097**

Adjusted EBITDA for the three months ended September 30, 2018 was $0.8 million, compared to an EBITDA loss of $(1.0) million for the three months ended September 30, 2017, representing a year-over-year improvement of $1.8 million.

For the nine-month periods ended September 30, 2018 and 2017, Adjusted EBITDA losses were $(0.3) million and $(2.4) million, respectively, representing a year-over-year improvement of $2.1 million. Please refer to the section entitled Net Income (Loss) from Continuing Operations for further details.

Liquidity and Capital Resources

In thousands of CAD dollars	Three months ended September 30, 2018	2017	Change $	Nine months ended September 30, 2018	2017	Change $
Net income (loss) from continuing operations	**369**	(457)	826	**(691)**	(3,049)	2,358
Net loss from discontinued operations	**-**	(56)	56	**(25)**	(157)	132
Items not involving cash flows	**312**	(763)	1,075	**72**	167	(95)
Cash used in operations	**681**	(1,276)	1,957	**(644)**	(3,039)	2,395
Net change in non-cash working capital	**(1,468)**	39	(1,507)	**(1,451)**	(2,676)	1,225
Cash used in operating activities	**(787)**	(1,237)	450	**(2,095)**	(5,715)	3,620
Cash used in investing activities	**(92)**	7,915	(8,007)	**(115)**	7,844	(7,959)
Cash provided (used in) by financing activities	**-**	(2,035)	2,035	**3,426**	(3,159)	6,585
Effect of foreign exchange rates on cash and cash equivalents	**(2)**	-	(2)	**-**	(22)	22
Net change in cash and cash equivalents during the period	**(881)**	4,643	(5,524)	**1,216**	(1,052)	2,268
Cash and cash equivalents, beginning of the period	**9,094**	4,112	4,982	**6,997**	9,807	(2,810)
Cash and cash equivalents, end of period	**8,213**	**8,755**	**(542)**	**8,213**	**8,755**	**(542)**

Cash and Cash Equivalents

Cash and cash equivalents were $8.2 million as at September 30, 2018 compared to $8.8 million at September 30, 2017. The current quarter's cash balance includes $3.5 million in net proceeds from the Company's Rights Offering concluded in March of 2018.

Operating Activities

Total cash used in operating activities for the quarter was $0.8 million, an improvement of $0.5 million versus the quarter ended September 30, 2017. The improvement was mainly driven by the year-over-year improvement of $2.0 million in cash used in operations, partly offset by the unfavorable movement in non-cash working capital items of $1.5 million. The $2.0 million improvement in cash used in operations was mainly driven by our improved profitability, primarily as a result of Pliaglis revenue: the sales milestone of $1.3 million recognized in the quarter and the net royalties of $0.9 million. The net change in non-cash working capital was primarily driven by the timing of the receivable related to Pliaglis royalty and milestone revenue, whereas, in Q3-17, the Company had only a nominal impact from working capital items which were a result of the timing of the cash inflows and outflows of that period.

For the nine months ended September 30, 2018, total cash used in operating activities was $2.1 million, an improvement of $3.6 million when compared to the $5.7 million used during the nine months ended September 30, 2017. The year-over-year improvement was mainly due to the combined impact of 1) our improved profitability as a result of incremental royalty and milestone revenue versus the prior year of $0.3 million and the reduction in SG&A expenses of $2.1 million, and 2) the year-over-year improvement of $1.2 million in non-cash working capital. The unfavorable net change in non-cash working capital of $1.5 million in the current year was primarily driven by the timing of the receivable related to Pliaglis royalty and milestone revenue, whereas, the unfavorable net change of $2.7 million in prior year's nine-month period was primarily related to an increase in inventory to meet planned demand, and a decrease in accounts payables, resulting from the settlement of certain liabilities assumed and incurred as part of the INTEGA acquisition and the restructuring of its operations, partly offset by a decrease in accounts receivable because of improved collections.

Investing Activities

For the three months ended September 30, 2018, the Company invested $0.1 million, primarily related to plant equipment and facility upgrades, compared to $7.9 million provided by investing activities for the three months ended September 30, 2017. The prior year's three-month period, reflected the redemption of $8.6 million in

short-term investments previously restricted and held as collateral for the Knight loan, partly offset by amounts paid in connection to the Alyria acquisition of $0.6 million.

For the nine months ended September 30, 2018, $0.1 million was invested and related primarily to equipment and facility upgrades, as mentioned above, and to a lesser extent, to leasehold improvements. For the nine months ended September 30, 2017, $7.8 million was provided by investing activities and were driven by the same factors as described for the three-month period of 2017.

Financing Activities

For the three months ended September 30, 2018, $nil was used in financing activities, compared to $2.0 million for the three months ended September 30, 2017. In the prior year's quarter, financing activities related mainly to principal repayments against the Knight Loan in the amount of $3.1 million, partly offset by the proceeds from the convertible debenture financing completed with Bloom Burton Funds in the amount of $1.0 million.

For the nine months ended September 30, 2018, financing activities provided $3.4 million in cash, while $3.2 million was used in financing activities for the nine months ended September 30, 2017. In the first quarter of 2018, the Company received $3.5 million in net proceeds upon the completion of its Rights Offering. The proceeds were partly offset by a $0.1 million payment in connection with the obligation payable related to the Alyria acquisition. In the comparable nine-month period of the prior year, financing activities related primarily to the principal repayments of $3.2 million against the Knight Loan, as well as to a payment of $1.0 million made during the year relating to a previous acquisition by INTEGA. These were partly offset by the proceeds from the convertible debenture financing completed with Bloom Burton Funds in the amount of $1.0 million.

Selected Quarterly Financial Information

As at and for the three months ended,	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016 Restated
In thousands of CAD dollars unless otherwise noted								
Growth								
Revenue	**4,464**	2,311	3,649	2,356	2,720	4,858	2,080	2,248
Profitability								
Total operating expenses	**4,081**	4,035	4,077	4,870	4,227	4,317	5,171	7,191
Net income (loss) from continuing operations	**369**	(636)	(424)	(8,209)	(457)	538	(3,130)	(4,638)
Net income (loss)	**369**	(661)	(424)	(8,257)	(513)	500	(3,193)	(4,697)
Adjusted EBITDA[1]	**846**	(1,265)	91	(1,999)	(974)	868	(2,319)	(4,031)
Share Information								
Net income (loss) from continuing operations per common share								
basic and diluted *(in dollars)*	**$ 0.02**	$ (0.03)	$ (0.03)	$ (0.59)	$ (0.03)	$ 0.04	$ (0.23)	$ (0.33)
Net income (loss) per common share								
basic and diluted *(in dollars)*	**$ 0.02**	$ (0.03)	$ (0.03)	$ (0.59)	$ (0.03)	$ 0.04	$ (0.23)	$ (0.34)
Weighted average number of common shares outstanding for the period								
basic and diluted	**21,016**	21,007	15,715	14,003	14,003	13,935	13,935	13,935
Financial Position								
Cash and cash equivalents and short-term investments[2]	**8,213**	9,094	9,455	6,997	8,755	12,663	13,772	18,358
Total assets	**24,780**	23,858	26,078	22,565	31,219	35,555	37,000	40,240
Total non-current financial liabilities[3]	**3,317**	3,439	3,644	3,597	4,862	6,843	7,144	8,413

[1] Adjusted EBITDA is a non-IFRS measure and is defined as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization, gain on settlement, other income, SBC, gain on debt renegotiations, goodwill and intangible assets impairment, accretion on the fair value of inventory and foreign currency gains (losses), as applicable.

[2] During the third quarter of 2017, $8.6 million of previously restricted short-term investments were transferred to unrestricted cash accounts as part of the Knight loan renegotiation.

[3] Non-current financial liabilities are defined as the sum of the long-term portions of long-term debt, convertible debentures and other obligations.

Capability to Deliver Results

The Company will need to spend 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, royalty and milestone payments, licensing and co-development agreements for other new drug candidates or of 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 sales force for the marketing and sale of its products to its Canadian customers. In certain foreign jurisdictions, Crescita relies on its commercial partners to market and sell its products. Management 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. spas and medical spas) accepting the product for sale.

Financial Instruments and Risk Management

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:

	September 30, 2018			December 31, 2017		
In thousands of CAD dollars	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring fair value measurements						
Contingent consideration receivable	**-**	**-**	**236**	-	-	115
Contingent consideration – royalty earn-out	**-**	**-**	**(20)**	-	-	(20)

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 for the three and nine months ended September 30, 2018 and 2017.

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.

Level 3 liabilities include obligations of the Company for the contingent consideration receivable and the contingent consideration payable for the royalty earn-out relating to the acquisition of Alyria. The fair value of the contingent consideration receivable and payable is revalued at each reporting period based on management's best estimate using the discounted cash flow method.

The fair values of the Company's non-current obligations, which are presented at amortized cost using the effective interest method, 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 as these were recently issued and/or renegotiated and would be classified as Level 2.

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
The Company anticipates that its current cash, proceeds from equity financing and the revenue it expects to generate from product sales and upfront and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis will fund Crescita's operations as currently planned past fiscal 2019. Additional funding may be required for the development of new products and/or for future acquisitions.

The Company has minimum future rental payments under operating leases of $0.4 million that are due in less than one year and $0.8 million that are payable from 2019 to 2021.

The Company's exposure to liquidity risk is dependent on the sales growth and profitability of its operations 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 on liquidity risk including the level of 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 be 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. 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 September 30, 2018, 2% of accounts receivable related to customers outside North America and the E.U. [December 31, 2017 - 8%].

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

In thousands of CAD dollars	September 30, 2018	December 31, 2017
Current	**3,186**	696
0-30 days past due	**44**	495
31-60 days past due	**144**	92
61-90 days past due	**-**	180
Over 90 days past due	**-**	-
Total Accounts receivable	**3,374**	1,463

As at September 30, 2018, the allowance for doubtful accounts receivable was $0.1 million [December 31, 2017 - $0.1 million].

Interest Rate Risk
The Company is not exposed to interest rate variability as debt instruments bear interest at a rate of 9% per year, compounded on a monthly basis.

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	
In thousands of	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Cash and cash equivalents	**51**	54	**19**	573
Accounts receivable	**-**	-	**1,838**	305
Other current assets	**21**	18	**12**	47
Accounts payable and accrued liabilities	**(114)**	(86)	**(695)**	(357)
	(42)	**(14)**	**1,174**	**568**

Based on the aforementioned net exposure as at September 30, 2018, 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 $152 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $6 on total comprehensive loss.

The Company has four significant exposures to the U.S. dollar: 1) its net investment and net cash flows in its U.S. operations, 2) its product sales to U.S. customers, 3) royalties from licensing agreement with Galderma S.A. (“Galderma”) and 4) Taro 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 September 30, as follows:

In thousands of CAD dollars	Operating Leases
2019	**399**
2020	**399**
2021	**401**
Total Commitments	**1,199**

For the three and nine months ended September 30, 2018, payments under operating leases totaled $0.1 million and $0.3 million [$0.1 million and $0.4 million for the three and nine months ended September 30, 2017].

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 the Condensed Consolidated Interim Financial Statements with respect to these indemnification obligations.

Off-Balance Sheet Arrangements

Crescita does not have any off-balance sheet arrangements.

Critical Accounting Estimates and Significant Accounting Policies

The preparation of the Condensed Consolidated Interim 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 Condensed Consolidated Interim 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 Condensed Consolidated Interim 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 have been applied on a basis consistent with those followed in the most recent annual Consolidated Financial Statements for the year ended December 31, 2017, except for the adoption of new accounting standards effective January 1, 2018. On January 1, 2018, the Company applied, for the first time, IFRS 15, *Revenues from contracts with customers* and IFRS 9, *Financial instruments*. As disclosed in the annual Consolidated Financial Statements for the year ended December 31, 2017, there was no impact resulting from the adoption of these two new standards.

All significant accounting policies are disclosed in Note 3 – *Summary of Significant Accounting Policies* in the Company's Consolidated Financial Statements for the year ended December 31, 2017, except for IFRS 15 and IFRS 9 which were just adopted and are disclosed below.

Critical Accounting Estimates

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

Going concern assessment
The judgment that the Company is a going concern is a fundamental judgment in the preparation of financial statements. Under the going concern judgment, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern judgement is inappropriate in the circumstances, assets and liabilities are recorded on the basis that the Company will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business. Management assesses the Company's ability to continue as a going concern at each reporting date.

In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must estimate future cash flows for a period of at least, but not limited, to twelve months following the end of the reporting period by considering relevant available information about the future.

The Company is subject to a number of risks and uncertainty associated with its products and services, its dependence on the economy as well as customers, the supply chain, credit risk, currency risk as well as meeting its financing requirements for its operations. The attainment of profitable operations is dependent upon future events, including successful implementation of the Company's operation plan and obtaining adequate financing.

Management has applied significant judgement in preparing forecasts supporting the going concern assessment and has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for at least the next twelve months.

Management has considered many factors including its current cash balance, the proceeds from equity financing arrangements subsequent to year-end and the projected revenues it expects to generate from product sales, upfront and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis®. Management has also estimated anticipated cash outflows such as operating and capital expenditures and debt repayment requirements, including the ability to delay uncommitted expenditures, and assessed that it will have sufficient cash flows to fund Crescita's operations as currently planned past fiscal 2019. These cash flow estimates are subject to uncertainties as to the achievement of certain key factors considered in the cash flow analysis.

Inventory Valuation

The Company values its inventories on a first-in, first-out basis at the lower of cost and replacement cost for raw materials and packaging, and the lower of cost and net realizable value for finished goods. In determining net realizable value, the Company considers such factors as yield, turnover or aging, expected future demand and historic experience. A change in the underlying assumptions related to these factors could affect the valuation of inventory and have a corresponding effect on cost of sales.

Management reviews the carrying value of inventories at each reporting year. As part of the review, management is required to make certain assumptions when determining expected realizable values and estimates an allowance for obsolescence based on product life and historical sales. Any write downs in value may be reversed if the circumstances which caused them to cease to exist.

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.

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 Alyria, the estimated future cash flows were based on the budget and strategic forecast for the first 10 years and a growth rate of 0% was applied to derive a terminal value beyond the initial 10-year period. The discount rate used to calculate the fair value of the brand was 14%. The fair value of the contingently payable purchase price obligation is based on a weighted average probability of achieving the earn-out target.

Significant Accounting Policies

IFRS 15 - *Revenue from Contracts with Customers*
On January 1, 2018, the Company adopted IFRS 15 - *Revenue from Contract with Customers* (IFRS 15) which introduces a 5-step approach to revenue recognition. The Company recognizes revenue from product sales, licensing and collaboration arrangements, royalties and service agreements. The Company elected to use the modified retrospective transition method. Under this transition method, the Company is not required to restate the amounts reported in prior periods. However, at the date of initial application, entities electing this method still have to calculate, either for all contracts or only for contracts that are not completed, the revenues they would have recognized as if they had applied IFRS 15 since contract inception. As disclosed in the annual Consolidated Financial Statements for the year ended December 31, 2017, the Company has determined that there was no impact resulting from the adoption of the new revenue recognition standard.

Product Sales
Revenue from product sales is recognized when the terms of a contract with a customer have been satisfied. This occurs when: the control over the product has been transferred to the customer; the product is received by the customer or transfer of title to the customer occurs upon shipment. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for selling the goods and bears the risks of obsolescence and loss in relation to the goods. Revenue from customer contracts is recognized based on the price specified in the contract, net of reserves for estimated sales discounts and allowances, returns, rebates and chargebacks. A receivable is recognized by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Out-licensing revenues

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 contracts are analyzed to identify all performance obligations forming part of these contracts and the transaction price of the contract is determined. The transaction price is then allocated between all performance obligations on a relative stand-alone selling price basis. The stand-alone selling price per performance obligation is estimated based on the comparable market prices, expected cost plus margin and the Company's historical experience.

- Licenses are considered to be right-to-use licenses. As such, the Company recognizes the licenses revenues at a point in time, upon granting the licenses.

- Milestone payments are considered variable consideration. As such, the Company estimates variable consideration at the most likely amount to which it expects to be entitled. The estimated amounts are included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Royalties
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 prescription 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. For the recognition of revenue for sales-based or usage-based royalties on licenses of intellectual property, IFRS 15 requires that royalties received in exchange for licenses of intellectual property are recognized at the later of when:

(a) The subsequent sale or usage occurs; and

(b) The performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied or partially satisfied.

Services Revenue
Revenues from contracted services are generally recognized as the performance obligations are satisfied over time, and the related expenditures are incurred pursuant to the terms of the agreement. Revenue is recognized for these services based on the stage of completion of the contract. The Company determines the stage of completion as the time expended as a proportion of the total time expected as at the end of the reporting period is an appropriate measure of progress towards the completion of these performance obligations under IFRS 15. Where payment for services is not due from the customer until the services are complete, a contract asset would be recognized over the period in which the services are performed representing the Company's right to consideration for the services performed to date.

IFRS 9 - *Financial Instruments*
On January 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9"), which is replacing IAS 39 - *Financial Instruments*, and all previous versions of IFRS 9. IFRS 9 is a three-phase project and 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.

The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. The Company performed a detailed impact assessment of all three aspects of IFRS 9; however, as discussed below, they did not have a material impact on the Consolidated Financial Statements:

- Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value in other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument, as a whole, is assessed for classification. The Company did not identify any changes to the measurement of the existing financial instruments upon applying IFRS 9.

- IFRS 9 requires the Company to record expected credit losses ("ECL") on the entire accounts receivable balance. The Company has applied the simplified approach and has calculated the lifetime ECLs based on an established provision matrix that considers the Company's historical credit loss experience, adjusted for forward-looking factors specific to the Company's customers and the economic environment. The adoption of the ECL requirements of IFRS 9 had no material impact on the Interim Financial Statements.

The Company does not use hedge accounting. As a result, the new requirements of IFRS 9 for hedging did not have an impact on the financial position and results of the Company.

Accounting Standard Issued but Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee. The following standard has been issued but is not yet effective:

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 and will provide further updates in its annual consolidated financial statements.

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.

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.

As reported in our 2017 Annual Report, the Company evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting, supervised by and with the participation of the CEO and the CFO as of December 31, 2017. The CEO and the CFO concluded that, based on this evaluation, the Company's disclosure controls and procedures and internal controls over financial reporting were adequate and effective, at a reasonable level of assurance.

For the quarter ended September 30, 2018, there was no change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

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.

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. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a material adverse effect on the Company's financial position, results of operations or the ability to carry on any of its business activities.