Crescita Therapeutics Inc. First Quarter Report 2016

Management's Discussion and Analysis (MD&A)

May 10, 2016 / The following information should be read in conjunction with the Crescita Therapeutics™ Inc. (Crescita or the Company) Combined Financial Statements for the year ended December 31, 2015 which were prepared in accordance with International Financial Reporting Standards (IFRS) and filed on SEDAR March 23, 2016. Additional information relating to the Company, including its Annual Information Form (AIF) and the Management Information Circular of Nuvo Research Inc. (Nuvo) dated December 31, 2015 (Nuvo Reorganization Circular), can be found on SEDAR at www.sedar.com.

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

Forward-looking Statements

Certain statements in this MD&A constitute forward-looking information and/or forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements concerning the Company's future objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include general business and economic uncertainties and adverse market conditions as well as other risk factors included in this MD&A under the heading "Risks Factors", Crescita's AIF and as described from time to time in the reports and disclosure documents filed by Crescita with Canadian securities regulatory agencies and commissions. Additional factors that could affect Crescita are described in the Reorganization Circular under the heading "Risk Factors". This list is not exhaustive of the factors that may impact Crescita's forward-looking statements. 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 neither the Crescita nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this MD&A and except as required by applicable law, Crescita undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Corporate Development

Nuvo Reorganization

On March 1, 2016, Nuvo Research Inc. (Nuvo) completed a transaction (the Reorganization) pursuant to which Nuvo was reorganized into two separate publicly traded companies, Nuvo and Crescita. The Reorganization proceeded by way of arrangement under the Canada Business Corporations Act (the Arrangement). As part of the Reorganization, Nuvo Research Inc. changed its name to "Nuvo Pharmaceuticals Inc.". Detailed information regarding the Reorganization and its effects, including a description of certain risks and uncertainties in respect of the Reorganization and the operation of the

Company and Crescita as separate publicly traded companies, are included in the Nuvo Reorganization Circular.

Prior to the Reorganization, Nuvo operated two distinct business units: Nuvo Pharmaceuticals and Crescita. Nuvo is a commercial healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Crescita is a drug development business that operates two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The TPT Group has one commercial product, a pipeline of topical and transdermal products focusing on pain and dermatology and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The Immunology Group has two commercial products.

Key Developments

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

Nuvo Reorganization

- On March 1, 2016, the reorganization of Nuvo into two separate publicly traded companies was completed and Crescita commenced operations as a stand-alone entity;

- On March 7, 2016, Crescita commenced trading on the Toronto Stock Exchange; and

- As part of the reorganization, Crescita received all the development stage assets from Nuvo, as well as $35.0 million in cash. Crescita also retains the rights to the commercial asset Pliaglis. In October 2016, Galderma S.A. (Galderma) will return the North American rights for Pliaglis to Crescita. Crescita will continue to receive a modest royalty on net sales by Galderma in all other relevant licensed territories.

Strategic Review

- In February 2016, the Board of Directors of Nuvo unanimously approved a proposal to initiate a divestiture or orderly wind-down of the Company's Immunology Group segment. The Immunology Group includes the Company's wholly owned subsidiary Nuvo Research AG and its subsidiaries Nuvo Manufacturing GmbH and Nuvo Research GmbH;

- In parallel with the Company's divestiture or wind-down of its Immunology Group, the Company is also conducting a review of all its drug development activities, including in-licensing, merger and acquisition activities, or some combination thereof related to new product opportunities;

- As part of the strategic review Crescita is evaluating its best options to optimize product sales for Pliaglis in Canada, the United States and Mexico;

- The Company recently received written feedback from the U.S. Food and Drug Administration (FDA) on a potential neuropathic pain development program for its Flexicaine product. The FDA is requesting extensive clinical and non-clinical programs for the development of Flexicaine. Based on the feedback from the FDA, the Company is undergoing a review of its development options for the product. The Company will update the markets when the review is completed; and

- Crescita has a strong balance sheet with significant cash and no debt.

Overview

Background

Crescita is a publicly traded, Canadian drug development company that owns topical products for treating medical conditions in dermatology and pain. 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. The Company was created on March 1, 2016 by way of a plan of Arrangement (see Corporate Developments – Nuvo Reorganization).

The Company operates two distinct business units: the TPT Group and the Immunology Group. Nuvo's Board of Directors unanimously approved a proposal to initiate a divestiture or orderly wind-down of the Company's Immunology Group. While the Company continues to explore a possible sale of the Immunology Group, if a divestiture transaction does not materialize, the wind-down of the Immunology operations is expected to be completed by the end of 2016.

As of March 31, 2016, the Company and its subsidiaries employed a total of 35 full-time employees at its head office in Mississauga, Ontario, its research and development (R&D) facility in Varennes, Québec, its manufacturing facility in Wanzleben, Germany and its R&D facility in Leipzig, Germany.

Topical Products and Technology Group
The TPT Group has one commercial product, Pliaglis and products in development focusing on dermatology and pain, and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin.

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

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

Pliaglis was launched in the U.S. market in March 2013 and in the E.U. in April 2013. In the E.U., the regulatory approval required a post-approval commitment trial, the cost of which was shared equally by Galderma and Crescita. In South America, Pliaglis is approved and marketed in Brazil, Argentina and Columbia. Pliaglis was launched in Brazil in March 2014. Pliaglis is also approved and marketed in Canada. Crescita understands that Galderma is seeking approvals in additional countries; however, there can be no assurance that any such approvals will be obtained or the timing thereof.

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

Pipeline Products
Crescita has a portfolio of development stage products and proprietary platform technologies, which include multiplexed molecular penetration enhancers (MMPE™), Foam technology and DuraPeel™. Crescita will

not only develop products on its own, but will also actively seek co-development partners to help advance its pipeline products and fund some or all of their development.

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

Product	Therapeutic Area	Stage of Development	Intellectual Property[1]
Flexicaine (lidocaine 7%/ tetracaine 7% cream)	Postherpetic Neuralgia	Phase 2 clinical trial	Patents granted in AU, CN, HK, MX, RU and the U.S. with latest expiring in 2031. Applications allowed in CA and pending in 7 countries including EP. Latest anticipated expiry date is 2031.
Ibuprofen Foam (5% ibuprofen)	Acute Pain	Preclinical	Patent granted in the U.S. expiring in 2031. Applications pending in EP, CA and the U.S. Anticipated expiry date is 2031.
Terbinafine 10% solution	Onychomycosis	Preclinical	Patents granted in AU, JP and the U.S. with latest expiry date in 2031. Applications pending in 4 countries including EP. Latest anticipated expiry date is 2030.
Mical 1 [2]	Psoriasis	Preclinical	Patent granted in the U.S. expiring in 2027.
Mical 2 [2]	Dermatological skin treatment	Preclinical	Patent granted in the U.S. expiring in 2027.

1. Region and country abbreviations defined as follows: Australia (AU), Canada (CA), China (CN), Europe (EP), Hong Kong (HK), Japan (JP), Mexico (MX), Russian Federation (RU), United States (U.S.).
2. Mical is a product being developed under the Ferndale Laboratories, Inc. collaboration.

Technology

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

DuraPeel

The DuraPeel technology is a self-occluding, film-forming cream/gel formulation that provides extended release delivery to the site of application. The cream/gel contains a drug applied to a patient's skin forming a pliable layer that releases drug into the skin for up to 12 hours. The benefits of the DuraPeel technology include proven compatibility with a variety of active pharmaceutical ingredients (APIs), self-occluding film reduces product transference risk, fast drying time and easy application and removal and application to large and irregular skin surfaces. Patents have been issued in Australia, Canada, China, Japan and the U.S. with the latest expiry in 2027. Patent applications are pending in Europe and the U.S.

MMPE

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

Foam Technology

The Company owns a U.S. patent and has pending applications in Canada, Europe and the U.S. covering dimethyl sulfoxide (DMSO)-based foamable formulations.

Immunology Group
The Immunology Group has two commercial products: WF10 and Oxoferin™. WF10 is approved in Thailand under the brand name Immunokine as an adjunct in the treatment of cancer to relieve post-radiation therapy syndromes and as an adjunct therapy for diabetic foot ulcers, but is not otherwise approved for sale and marketing in any other jurisdictions. Oxoferin, a topical wound healing agent, contains the active ingredient in WF10, but at a lower concentration. Oxoferin is marketed by Crescita and its partners in parts of the E.U. and Asia as a topical wound healing agent under the trade names Oxoferin and Oxovasin™. The active ingredient in WF10 and Oxoferin is manufactured at the Company's facility in Wanzleben, Germany.

In December 2015, the Company announced topline results of a Phase 2 clinical trial to assess WF10 for the treatment of allergic rhinitis (2015 WF10 Trial). The topline results showed that patients dosed with WF10 did not report a reduction in symptoms that was significantly better than patients dosed with a saline placebo at any of the endpoints being measured in the trial. There was no significant difference in the performance of WF10 relative to placebo when patients were exposed to grass and ragweed pollen in the environmental exposure chamber (EEC) or when they were exposed to naturally occurring allergens during the field portion of the trial.

Nuvo's Board of Directors unanimously approved a proposal to initiate a divestiture or orderly wind-down of the Company's Immunology Group. While the Company continues to explore a possible sale of the Immunology Group, if a divestiture transaction does not materialize, the wind-down of the Immunology operations is expected to be completed by the end of 2016.

Litigation

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

Liquidity

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

Crescita has incurred significant losses to-date. As at March 31, 2016, Crescita had an accumulated deficit of $22.3 million, including a net loss of $6.1 million for the three months ended March 31, 2016. At March 31, 2016, Crescita had cash of $32.6 million.

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

- its ability to advance the development of its pipeline products to significant milestones that are financeable;
- its ability to in-license or acquire new assets; and
- its ability to secure additional licensing fees, secure co-development agreements, obtain additional capital when required, obtain regulatory approval for other drugs and ultimately achieve profitable operations.

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

Crescita anticipates that its current cash will be sufficient to funds its operations into 2017. Beyond that date, there can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products without future financings. Crescita expects that it will continue to incur losses as its revenue streams are not sufficient to fund its operations, the infrastructure necessary to support a public company and the costs of selectively advancing its drug development pipeline.

Nonetheless, companies in the pharmaceutical R&D industry typically require periodic funding in order to develop drug candidates until such time as at least one drug candidate has been successfully commercialized such that they are receiving sufficient revenue to fund their operations. Crescita has not yet reached this stage and therefore, the Company monitors on a regular basis, its liquidity position, the status of its partners' commercialization efforts, the status of its drug development programs, including cost estimates for completing various stages of development, the scientific progress on each drug candidate and the potential to license or co-develop each drug candidate.

There can be no assurance that additional financing would be available on acceptable terms, or at all, when and if required. If adequate funds were not available when required, the Company may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations. If the Company is unable to obtain additional financing when and if required, the Company may be unable to continue operations.

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

Selected Financial Information

in thousands (except per share)

	Three Months ended March 31, 2016	Three Months ended March 31, 2015
Operations	**$**	$
Product sales	**136**	188
Royalties	**42**	26
Contract revenue	**53**	-
Total Revenue	**231**	214
Total operating expenses	**5,896**	2,485
Loss from operations	**(5,665)**	(2,271)
Other expenses	**393**	24
Net loss	**(6,058)**	(2,295)
Unrealized gains (losses) on translation of foreign operations	**112**	(87)
Total comprehensive loss	**(5,946)**	(2,382)
Share Information[(i)]		
Net loss per common share		
Basic and diluted	**$(0.54)**	$(0.21)
Weighted average number of common shares outstanding for the period		
Basic and diluted	**11,294**	10,839

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

Financial Position	**As at March 31, 2016**	As at December 31, 2015
	$	$
Cash	**32,594**	478
Total assets	**34,140**	1,188
Other obligations, including current portion	**168**	225
Total liabilities	**3,606**	4,554
Total equity	**30,534**	(3,366)

Non-IFRS Financial Measure

Crescita discloses non-IFRS measures that do not have standardized meanings prescribed by IFRS, but are considered useful by management, investors and other financial stakeholders to assess Crescita's performance and management from a financial and operational standpoint. "Total operating expenses" is defined as the sum of: cost of goods sold (COGS), R&D expenses, G&A expenses, and interest expense and interest income. "Loss from operations" is defined as total revenue, less total operating expenses. Crescita considers these to be useful measures, as they provide investors with an indication of the operating performance of Crescita before considering gains or losses from foreign exchange or items that are non-recurring transactions.

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

Significant Transactions

2015

Pliaglis North American Rights Reacquisition

In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico. Under the terms of the agreement, Nuvo paid Galderma approximately 125,000 Swiss Francs ($174,000) and Crescita will pay an additional 125,000 Swiss Francs (approximately $169,000) upon transfer of certain rights and documents. Crescita has accrued $169,000 in accordance with the agreement which is included in G&A expenses for the period ended March 31, 2016. Beginning in 2021, the Company has the right to reacquire the ROW rights on a country-by-country basis without additional compensation if Galderma does not achieve minimum sales targets. Galderma will continue to market Pliaglis in the U.S. and Canada and pay a royalty on net sales during the agreed upon transition period. The Company will receive a fixed single-digit royalty on net sales in the Galderma territories outside of North America where Galderma still owns the development and marketing rights.

Results of Operations

Revenue
in thousands

	Three Months ended March 31, 2016	Three Months ended March 31, 2015
	$	$
Product sales	**136**	188
Royalties	**42**	26
Contract revenue	**53**	-
Total Revenue	**231**	214

Product Sales
Product sales, which represent Crescita's sales of Oxoferin and WF10 was $0.1 million for the three months ended March 31, 2016 compared to $0.2 for the three months ended March 31, 2015. In the current quarter, a decrease in the Company's sales to its partner in Malaysia was slightly offset by an increase in the Company's sales to its partner in Pakistan.

As the Company sells products in a limited number of markets through exclusive agreements, it receives most of its product sales' revenue from a limited number of customers. Product sales, derived from the Company's current four largest customers represented 91% [2015 – 96%] of product sales and the Company's largest customer represented 66% [2015 – 36%] of product sales.

Royalties
Royalties, which Crescita receives from Galderma, its global licensee for Pliaglis, increased slightly to $42,000 for the quarter ended March 31, 2016 compared to $26,000 for the quarter ended March 31, 2015.

All royalty revenue relates to the global net sales of Pliaglis. Royalties are determined using agreed upon formulas based on the definition of the licensee's net sales as defined in the licensing agreement. Crescita recognizes royalty revenue based on the net sales of the licensee. In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico (see Significant Transactions – 2015 – Pliaglis North American Rights Reacquisition).

Contract Revenue

Effective March 1, 2016, Nuvo and Crescita entered into a reciprocal transitional services agreement with a term of 18 months. Under the transitional services agreement, Crescita provides Nuvo corporate-level employee services, regulatory affairs, R&D and legal support, and facility and equipment rental. For the three months ended March 31, 2016, Crescita earned $53,000 for services provided to Nuvo.

Operating Expenses

in thousands

	Three Months ended March 31, 2016	Three Months ended March 31, 2015
	$	$
Cost of goods sold	**470**	133
Research and development expenses	**1,430**	1,629
General and administrative expenses	**3,998**	711
Interest expense	**7**	12
Interest income	**(9)**	-
Total operating expenses	**5,896**	2,485

Total operating expenses for the three months ended March 31, 2016 were $5.9 million, an increase from $2.5 million for the three months ended March 31, 2015.

Prior to March 1, 2016, operating expenses, including R&D and G&A, included certain costs paid for Crescita by Nuvo. These cost allocations have been determined on a basis considered by Crescita and Nuvo to be a reasonable reflection of the services provided by Nuvo to Crescita (see Note 3 – *Summary of Significant Accounting Policies* in the Condensed Consolidated Interim Financial Statements).

Cost of Goods Sold

COGS for the three months ended March 31, 2016 was $0.5 million compared to $0.1 million for the three months ended March 31, 2015. In 2016, the increase in COGS was the result of increased production costs and a $0.3 million write-down of inventory related to Oxoferin and WF10. Crescita reported a negative gross margin on product sales of $0.3 million for the three months ended March 31, 2016 compared to a gross margin on product sales of $0.1 million for the three months ended March 31, 2015.

Research and Development

R&D expenses were $1.4 million for the three months ended March 31, 2016 compared to $1.6 million for the three months ended March 31, 2015. R&D expenses included allocated costs that were incurred prior to March 1, 2016 that have been included in the results of the TPT group.

In the TPT Group, R&D expenses were $0.7 million for the three months ended March 31, 2016 compared to $0.3 million for the three months ended March 31, 2015. In the current quarter, the Company incurred costs related to the development of Flexicaine and the advancement of formulations for the collaboration agreement with Ferndale Laboratories, Inc. (Ferndale Collaboration). Subsequent to the quarter, the Company received a written response to the questions it had proposed to the FDA (see Key Developments – Flexicaine). In the comparative period, the Company incurred costs related to the advancement of the formulations for the Ferndale collaboration.

In the Immunology Group, R&D expenses were $0.7 million for the three months ended March 31, 2016 compared to $1.3 million for the three months ended March 31, 2015. The current quarter includes costs

of $0.3 million related to the 2015 WF10 Trial to assess the efficacy, safety and tolerability of WF10 for the treatment of moderate to severe allergies to grass and ragweed pollens. In December 2015, the Company announced that the trial was not successful and has discontinued all WF10 development. The balance of costs incurred by the Immunology Group in the quarter related to the costs of the operations in Europe. On February 16, 2016, the Board of Directors of Nuvo unanimously approved a proposal to initiate a divestiture or orderly wind-down of the Company's Immunology Group. The Immunology Group includes the Company's wholly owned subsidiary Nuvo Research AG and its subsidiaries Nuvo Manufacturing GmbH and Nuvo Research GmbH. While the Company continues to explore a possible sale of the Immunology Group, if a divestiture transaction does not materialize, the wind-down of the Immunology Group's operations is expected to be completed by the end of 2016. In the comparative period, the Immunology Group incurred R&D costs of $0.8 million related to the Phase 2 clinical trial using WF10 in 2014 (2014 WF10 Trial) as a treatment for moderate to severe allergic rhinitis. This trial did not meet its primary endpoint.

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

General and Administrative

G&A expenses were $4.0 million for the three months ended March 31, 2016 compared to $0.7 million for the three months ended March 31, 2015. G&A expenses included allocated costs that were incurred prior to March 1, 2016 that have been included in the results of the TPT group.

G&A includes stock-based compensation (SBC) expenses of $0.5 million in the first quarter of 2016 and an expense reversal of $0.5 million in the first quarter of 2015 related to the adjustment to market value for outstanding deferred stock units and stock appreciation rights (SARs). Excluding this impact, G&A expenses were $3.5 million for the three months ended March 31, 2016 compared to $1.2 million for the three months ended March 31, 2015. The increase in the current period primarily relates to a $1.3 million increase in professional fees related to the Reorganization (see Corporate Development – Nuvo Reorganization), $0.8 million in professional and consulting fees incurred by the Company for a transaction the Company is no longer pursuing and a $0.2 million accrual in the current period for the final milestone owed to Galderma for the Pliaglis North American rights reacquisition.

Interest

Interest expense was $7,000 for the three months ended March 31, 2016 compared to interest expense of $12,000 for the three months ended March 31, 2015. Interest expense includes non-cash accretion charges on the five-year consulting agreement as part of the consideration paid for the 2011 acquisition of the non-controlling interest in Nuvo Research AG.

Interest income was $9,000 for the three months ended March 31, 2016 compared to $nil for the three months ended March 31, 2015. In the current period, the Company earned interest on the $35.0 million transferred from Nuvo on March 1, 2016 as part of the Reorganization.

Loss from Operations

Loss from operations was $5.7 million for the three months ended March 31, 2016 compared to $2.3 million for the three months ended March 31, 2015. The increased loss from operations for the quarter was attributable to an increase in G&A costs related to the revaluation of SBC, professional fees related to the Reorganization and an increase in COGS.

Other Expenses
in thousands

	Three Months ended March 31, 2016	Three Months ended March 31, 2015
	$	$
Foreign currency loss	**366**	24
Impairment of fixed assets	**27**	-
Total other expenses	**393**	24

Foreign Currency Loss
Crescita experienced a net foreign currency loss of $0.4 million for the three months ended March 31, 2016 compared to $24,000 for the three months ended March 31, 2015. In the current quarter, the weaker U.S. dollar decreased the value of U.S. dollar denominated cash, receivables, payables and other obligations. In the current quarter, the Company realized a $0.4 million loss on U.S. dollar cash balances that were transferred from Nuvo to Crescita as part of the Reorganization. In the comparative quarter, the stronger U.S. dollar increased the value of U.S. dollar denominated cash, receivables, payables and the Company's other obligations.

Impairment
In the three months ended March 31, 2016, the Company reviewed the carrying values of the Immunology Group's fixed assets for impairment following the decision to initiate a divestiture or orderly wind-down of the Immunology Group. Indications of impairment did exist and management determined that fixed assets were impaired such that recoverable amounts were lower than their carrying amounts. The Company recognized an impairment charge of fixed assets in the Immunology Group of $27,000.

Net Loss and Total Comprehensive Loss
in thousands

	Three Months ended March 31, 2016	Three Months ended March 31, 2015
	$	$
Net loss	**(6,058)**	(2,295)
Unrealized gains (losses) on translation of foreign operations	**112**	(87)
Total comprehensive loss	**(5,946)**	(2,382)

Net Loss
Net loss was $6.1 million for the three months ended March 31, 2016 compared to $2.3 million for the three months ended March 31, 2015.

Total Comprehensive Loss
Total comprehensive loss was $6.0 million for the three months ended March 31, 2016 compared to $2.4 million for the three months ended March 31, 2015. The current year quarter included an unrealized gain of $0.1 million on the translation of foreign operations compared to an unrealized loss of $0.1 for the three months ended March 31, 2015.

Net Loss Per Common Share
Net loss per share was $0.54 for the three months ended March 31, 2016 compared to $0.21 for the three months ended March 31, 2015.

The weighted average number of shares outstanding on a basic and diluted basis was 11.3 million for the three months ended March 31, 2016 compared to 10.8 million for the three months ended March 31, 2015. Under the terms of the Arrangement (in Note 1 – *Basis of Presentation* of the Condensed Consolidated Interim Financial Statements), Crescita issued 11.5 million common shares on March 1, 2016. Prior to the

Arrangement, the Company used Nuvo's weighted average number of common shares outstanding to compute net loss per common share.

Segments
On a segmented basis, the TPT Group, which includes Pliaglis and corporate office costs, incurred a net loss of $5.0 million for the three months ended March 31, 2016 compared to a net loss of $1.0 million for the three months ended March 31, 2015. In the current quarter, the increase in net loss was primarily attributable to an increase in G&A and R&D expenses.

The Immunology Group, which includes all WF10 activities, incurred a net loss of $1.1 million for the three months ended March 31, 2016 compared to a net loss of $1.3 million for the three months ended March 31, 2015. The decrease in the current quarter related to the lower costs associated with the 2015 WF10 trial compared to the costs related to the 2014 WF10 trial.

Liquidity and Capital Resources
in thousands

	Three Months ended March 31, 2016	Three Months ended March 31, 2015
	$	$
Net loss	**(6,058)**	(2,295)
Items not involving current cash flows	**931**	78
Cash used in operations	**(5,127)**	(2,217)
Net change in non-cash working capital	**(2,116)**	(1,201)
Cash used in operating activities	**(7,243)**	(3,418)
Cash used in investing activities	**-**	(3)
Cash provided by financing activities	**39,764**	4,078
	32,521	657
Effect of exchange rates on cash	**(405)**	8
Net change in cash during the period	**32,116**	665
Cash, beginning of period	**478**	443
Cash, end of the period	**32,594**	1,108

Cash
Cash was $32.6 million at March 31, 2016 compared to $1.1 million at March 31, 2015. Prior to March 1, 2016, Crescita was economically dependent on and relied on Nuvo for funding to support its operations. Under the terms of the Arrangement, on March 1, 2016, Crescita received $35.0 million from Nuvo to fund its operations. In the month of March 2016, Crescita used $2.4 million in cash which included $0.5 million of payments made on behalf of Nuvo, which will be reimbursed to Crescita and a $0.2 million deposit as security for the corporate office lease. In addition, the $35.0 million transferred to Crescita from Nuvo on March 1, 2016 included US$8.6 million. During the month ended March 31, 2016, the U.S. dollar depreciated against the Canadian dollar resulting in a $0.4 million unrealized loss on Crescita's U.S. cash. The remainder of the spend related to the operations of Crescita.

Prior to March 1, 2016, Nuvo paid certain costs for the Company and performed certain activities on behalf of the Company. As a result, the three month periods ended March 31, 2016 and March 31, 2015 included allocations of certain transactions reported in the accounts of Nuvo.

Operating Activities
Cash used in operations was $5.1 million for the three months ended March 31, 2016 compared to $2.2 million for the three months ended March 31, 2015. For the three months ended March 31, 2016, the increase in cash used in operations related to the increase in net loss, partially offset by an increase in non-cash items.

Overall cash used in operating activities was $7.2 million for the three months ended March 31, 2016 compared to $3.4 million for the three months ended March 31, 2015. The increase in cash used in operating activities related to an increase in net loss and a $2.1 million investment of working capital compared to a $1.2 million investment of working capital in the comparative period.

In the current period, the investment in working capital related primarily to a $0.9 million decrease in accounts payable and accrued liabilities primarily related to payments made for the 2015 WF10 Trial and a decrease in the Company's SARs liability, a $0.8 million increase in accounts receivable primarily related to amounts owed from Nuvo for transitional services and costs paid by Crescita on Nuvo's behalf during the transition period and an increase of $0.4 million in other current assets primarily related to a deposit for the corporate office lease. In the comparative period, the investment in working capital primarily related to a decrease in accounts payable and accrued liabilities related to the payment of a tranche of SARs and the revaluation of SARs and deferred share units to market value at March 31, 2015.

Investing Activities
Net cash used in investing activities was $nil for the three months ended March 31, 2016 compared to $3,000 for the three months ended March 31, 2015. In the comparative period, cash used in investing activities was primarily attributable to the acquisition of computer equipment and lab equipment.

Financing Activities
Net cash provided by financing activities totaled $39.8 million for the three months ended March 31, 2016 compared to $4.1 million for the three months ended March 31, 2015. In the current period, Crescita received $35.0 million from Nuvo to fund its operations in accordance with the terms of the Arrangement. For both periods, funding provided by Nuvo (prior to the Reorganization) was partially offset by payments made towards the five-year consulting agreement recognized as part of the purchase of the non-controlling interest in 2011.

Financial Instruments and Risk Management

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

Liquidity Risk
Prior to the Reorganization, the Company was economically dependent on, and has historically relied on, Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo transferred $35.0 million of cash to the Company to provide working capital. While the Company anticipates that its current cash and the revenues it expects to generate from royalty payments will be sufficient to fund its ongoing operations into 2017, the Company continues to have an ongoing need for substantial capital resources to research, develop, commercialize and manufacture its products and technologies as the Company is not generating enough cash to funds its operations.

The Company has contractual obligations related to accounts payable and accrued liabilities, purchase commitments and other obligations of $4.1 million that are due in less than one year and $45,000 of contractual obligations that are payable from 2018 to 2019.

The Company's exposure to liquidity risk is dependent on its R&D programs and associated commitments and obligations and the raising of capital. The Company had historically relied on funding from Nuvo to support its operations. There are no assurances that funds will be available to the Company when required.

Credit Risk
Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash and amounts receivable from global customers.

The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions.

The Company, in the normal course of business, is exposed to credit risk from its global customers most of whom are in the pharmaceutical industry. The accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. In addition, the Company is exposed to credit related losses on sales to its customers outside North America and the E.U. due to potentially higher risks of enforceability and collectability. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement.

At March 31, 2016, 81% of accounts receivable, excluding related parties, related to customers from outside of North America and the E.U. [December 31, 2015 - 68%].

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

	March 31, 2016	December 31, 2015
in thousands	**$**	$
Current	**912**	188
0-30 days past due	**27**	7
	939	195

Interest Rate Risk
The Company is not subject to significant interest rate risk as its long-term obligation is non-interest bearing.

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	
	March 31, 2016	December 31, 2015	**March 31, 2016**	December 31, 2015
in thousands	**€**	€	**$**	$
Cash	**111**	153	**7,281**	156
Accounts receivable	**124**	85	**41**	49
Other current assets	**-**	2	**-**	-
Accounts payable and accrued liabilities	**(407)**	(864)	**(368)**	(274)
Other short-term obligations	**-**	-	**(129)**	(162)
	(172)	(624)	**6,825**	(231)

Based on the aforementioned net exposure as at March 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $886 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $25 on total comprehensive loss.

In terms of the euro, the Company has one significant exposure: its net investment and net cash flows in its European operations. In terms of the U.S. dollar, the Company has three significant exposures: its net investment and net cash flows in its U.S. operations, the cost of running trials and other studies at U.S. sites and revenue generated in U.S. dollars from licensing agreements with Galderma, the Company's licensee for Pliaglis.

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.

The Company does not currently hedge its euro cash flows. Periodically, the Company reviews the amount of euros held, and if they are excessive compared to the Company's projected future euro cash flows, they may be converted into U.S. or Canadian dollars. If the amount of euros held is insufficient, the Company may convert a portion of other currencies into euros.

The Company does not currently hedge its U.S. dollar cash flows. The Company's U.S. operations have net cash outflows and currently these are funded using the Company's U.S. dollar denominated cash and payments received under the terms of the licensing agreements with Galderma. Periodically, the Company reviews its projected future U.S. dollar cash flows and if the U.S. dollars held are insufficient, the Company may convert a portion of its other currencies into U.S. dollars. If the amount of U.S. dollars held is excessive, they may be converted into Canadian dollars or other currencies, as needed for the Company's other operations.

Contractual Obligations

The following table lists Crescita's contractual obligations for the twelve-month periods ending March 31 as follows:

in thousands	**Total**	2017	2018 and thereafter
	$	$	$
Operating leases	**313**	268	45
Purchase obligations	**177**	177	-
Other obligations[(1)]	**3,616**	3,616	-
	4,106	4,061	45

(1) Other obligations include accounts payable, accrued liabilities and the long-term consulting contract with the former minority shareholder of Nuvo Research AG.

Off-Balance Sheet Arrangements

Crescita does not have any off-balance sheet arrangements.

Related Party Transactions

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

During the three months ended March 31, 2016, Crescita charged Nuvo $53,000 for transition services and incurred $62,000 of fees for transition services performed by Nuvo.

Both Nuvo and Crescita paid for certain costs on behalf of the other company after March 1, 2016 as necessitated by the logistics of the transition. At March 31, 2016, Crescita recognized a $0.7 million receivable from Nuvo and a $0.2 million payable to Nuvo as a result of certain costs paid on the other company's behalf during the transition.

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

Allocations reflected in G&A expenses totaled $2.2 million for the three months ended March 31, 2016 compared to $0.5 million for the three months ended March 31, 2015. The increase in allocated G&A expenses primarily relates to professional fees incurred for the Reorganization during the quarter. Allocations reflected in R&D expenses totaled $0.2 million for the three months ended March 31, 2016 compared to $0.1 million for the three months ended March 31, 2015.

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

Outstanding Share Data

In connection with the Reorganization and under the terms of the Arrangement, discussed in Note 1 – *Basis of Presentation* of the Condensed Consolidated Interim Financial Statements, each Nuvo Research Inc. share certificate existing on March 1, 2016 became a common share of Nuvo and the right to receive a share certificate of a Crescita common share. The number of common shares outstanding as at March 31, 2016 was 11.5 million.

Pursuant to the Arrangement, each Nuvo Research Inc. stock option issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement stock option issued by Nuvo and one Post-Arrangement stock option issued by Crescita. As at March 31, 2016, there were 750,021 options outstanding of which 560,847 have vested.

Pursuant to the Arrangement, each Nuvo Research Inc. SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. As at March 31, 2016, there were 495,093 SARs outstanding of which none have vested. The shareholder's of Nuvo Research Inc. approved a resolution on February 18, 2016 to allow SARs to be equity settled.

Critical Accounting Policies and Estimates

The preparation of 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. Crescita's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 3 - *Summary of Significant Accounting Policies* of the Condensed Consolidated Interim Financial Statements.

Recent Accounting Pronouncements

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

IFRS 9 – Financial Instruments

In October 2010, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9) which replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's Interim and Annual Consolidated Financial Statements commencing January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements.

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 16 – Leases

In January 2016, the IASB has 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.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's Consolidated Financial Statements.

Management's Responsibility for 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 is also responsible for the design of internal controls over financial reporting (ICFR) within the Company, 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.

There were no changes to ICFR that occurred during the quarter ended March 31, 2016 that has materially affected the Company's ICFR.

Risk Factors

Prospects for companies in the biotechnology and pharmaceutical industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology and pharmaceutical companies should be regarded as speculative. R&D involves a high and significant degree of risk. An investor should carefully consider the risks and uncertainties discussed in detail in the MD&A filed on SEDAR on March 23, 2016 for the year ended December 31, 2015 and the "Risk Factors" section of the Company's AIF filed March 23, 2016 before making an investment decision.

Additional Information

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

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited	*Notes*	**As at March 31, 2016**	As at December 31, 2015
(Canadian dollars in thousands)		**$**	$
ASSETS			
CURRENT			
Cash	*2*	**32,594**	478
Accounts receivable	*14, 16*	**939**	195
Inventories	*4*	**57**	374
Other current assets	*5*	**489**	61
TOTAL CURRENT ASSETS		**34,079**	1,108
NON-CURRENT			
Property, plant and equipment	*6*	**61**	80
TOTAL ASSETS		**34,140**	1,188
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	*9, 14, 16*	**3,438**	4,329
Current portion of other obligations	*7*	**168**	190
TOTAL CURRENT LIABILITIES		**3,606**	4,519
Other obligations	*7*	**-**	35
TOTAL LIABILITIES		**3,606**	4,554
EQUITY			
Common shares	*8*	**51,613**	-
Deficit	*8*	**(22,250)**	-
Owner's net investment	*8*	**-**	(4,425)
Accumulated other comprehensive income (AOCI)		**1,171**	1,059
TOTAL EQUITY		**30,534**	(3,366)
TOTAL LIABILITIES AND EQUITY		**34,140**	1,188

Commitments (Note 13)
See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited *(Canadian dollars in thousands, except per share and share figures)*	***Notes***	**Three Months Ended March 31, 2016** **$**	Three Months Ended March 31, 2015 $
REVENUE			
Product sales		**136**	188
Royalties		**42**	26
Contract revenue	*16*	**53**	-
Total revenue		**231**	214
OPERATING EXPENSES			
Cost of goods sold	*4, 11*	**470**	133
Research and development expenses	*9, 11, 16*	**1,430**	1,629
General and administrative expenses	*9, 11, 16*	**3,998**	711
Interest expense	*7*	**7**	12
Interest income		**(9)**	-
Total operating expenses		**5,896**	2,485
OTHER EXPENSES			
Foreign currency loss		**366**	24
Impairment of fixed assets	*6*	**27**	-
NET LOSS		**(6,058)**	(2,295)
Other comprehensive income (loss) to be reclassified to net loss in subsequent periods			
Unrealized gains (losses) on translation of foreign operations		**112**	(87)
TOTAL COMPREHENSIVE LOSS		**(5,946)**	(2,382)
Net loss per common share –			
- basic and diluted	*10*	**$ (0.54)**	$ (0.21)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted	*10*	**11,294**	10,839

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited	Common Shares		Deficit	Owner's Net Investment	AOCI	Total
(Canadian dollars in thousands)	000s	$	$	$	$	$
Notes	*1, 8*	*1, 8*		*1, 8*		
Balance, December 31, 2014	-	-	-	(3,225)	1,124	(2,101)
Net loss	-	-	-	(2,295)	-	(2,295)
Net adjustments to owner's net investment	-	-	-	4,162	-	4,162
Unrealized loss on translation of foreign operations	-	-	-	-	(87)	(87)
Balance, March 31, 2015	-	-	-	(1,358)	1,037	(321)
Net loss	-	-	-	(13,153)	-	(13,153)
Net adjustments to owner's net investment	-	-	-	10,086	-	10,086
Unrealized gain on translation of foreign operations	-	-	-	-	22	22
Balance, December 31, 2015	-	-	-	(4,425)	1,059	(3,366)
Net loss	-	-	-	(3,180)	-	(3,180)
Net adjustments to owner's net investment	-	-	-	4,830	-	4,830
Cash transferred from Nuvo Research Inc. (Nuvo) in connection with the Arrangement	-	-	-	35,016		35,016
Issuance of common stock and reclassification of owner's net investment to deficit in connection with the Arrangement	11,487	51,613	(19,372)	(32,241)	-	-
Unrealized gain on translation of foreign operations	-	-	-	-	48	48
Balance, March 1, 2016	11,487	51,613	(19,372)	-	1,107	33,348
Net loss	-	-	(2,878)	-	-	(2,878)
Unrealized gain on translation of foreign operations	-	-	-	-	64	64
Balance, March 31, 2016	**11,487**	**51,613**	**(22,250)**	-	**1,171**	**30,534**

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited		**Three Months Ended March 31, 2016**	Three Months Ended March 31, 2015
(Canadian dollars in thousands)	***Notes***	**$**	$
OPERATING ACTIVITIES			
Net loss		**(6,058)**	(2,295)
Items not involving current cash flows:			
Depreciation and amortization	*6, 11,15*	**9**	10
Equity-settled stock-based compensation	*9*	**29**	41
Unrealized foreign exchange loss (gain)		**519**	(40)
Inventory write-down	*4*	**340**	55
Fixed asset impairment	*6*	**27**	-
Accretion of long-term consulting agreement	*7*	**7**	12
		(5,127)	(2,217)
Net change in non-cash working capital	*12*	**(2,116)**	(1,201)
CASH USED IN OPERATING ACTIVITIES		**(7,243)**	(3,418)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*6*	**-**	(3)
CASH USED IN INVESTING ACTIVITIES		**-**	(3)
FINANCING ACTIVITIES			
Additional net investment from Nuvo prior to the Arrangement		**4,801**	4,121
Cash transferred from Nuvo per the Arrangement	*1*	**35,016**	-
Payments under long-term consulting agreement	*7*	**(53)**	(43)
CASH PROVIDED BY FINANCING ACTIVITIES		**39,764**	4,078
Effect of exchange rate changes on cash		**(405)**	8
Net change in cash during the period		**32,116**	665
Cash, beginning of period		**478**	443
CASH, END OF PERIOD		**32,594**	1,108

See accompanying Notes.

CRESCITA THERAPEUTICS™ INC.
NOTES TO THE (UNAUDITED) CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

1. BASIS OF PREPARATION

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

Prior to the Reorganization, Nuvo operated two distinct business units: Nuvo Pharmaceuticals and Crescita. Nuvo is a commercial healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Crescita is a drug development business that operates two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The TPT Group has one commercial product, a pipeline of topical and transdermal products focusing on pain and dermatology and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The Immunology Group has two commercial products.

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

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

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

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

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

Statement of Compliance

The Company prepares its Condensed Consolidated Interim Financial Statements in accordance with IAS 34 - *Interim Financial Reporting* (IAS 34). Accordingly, these Condensed Consolidated Interim Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual Combined Financial Statements of the Company as at and for the year ended December 31, 2015.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the Condensed Consolidated Interim Financial Statements were the same as those that applied to the Company's annual Combined Financial Statements as at and for the year ended December 31, 2015.

2. NATURE OF BUSINESS AND GOING CONCERN ASSUMPTION

Crescita is a Canadian drug development company that owns topical products for treating medical conditions in dermatology and pain. 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. The Company's registered office is located at 7560 Airport Road, Unit 10, Mississauga, Ontario, L4T 4H4.

Topical Products and Technology Group
The TPT Group has one commercial product: Pliaglis, a topical local anaesthetic cream that provides safe and effective local dermal anaesthesia on intact skin prior to superficial dermatological procedures, such as dermal filler injections, pulsed-dye laser therapy, facial laser resurfacing and laser-assisted tattoo removal. The Company owns the commercial rights in the U.S., Canada and Mexico and has licensed worldwide marketing rights to Galderma S.A. (Galderma). Pliaglis is approved for sale and marketing in the U.S., several Western European countries, Argentina, Brazil and Canada. Galderma launched the commercial sale and marketing of Pliaglis in the U.S. and multiple countries in the European Union in 2013, South America in 2014 and Canada in 2015. In December 2015, the Company reacquired the Pliaglis development and marketing rights from Galderma for the U.S., Canada and Mexico. The TPT Group is developing drugs for a variety of therapeutic areas with a focus on dermatology and pain. The Company's development pipeline consists of Ibuprofen Foam for the treatment of acute pain, a topical treatment for onychomycosis and Flexicaine for the treatment of postherpetic neuralgia.

Immunology Group
The Immunology Group, based in Leipzig, Germany, has two commercial products: WF10™ and Oxoferin™. WF10 is approved in Thailand under the brand name Immunokine as an adjunct in the treatment of cancer to relieve post-radiation therapy syndromes and as an adjunct therapy for diabetic foot ulcers, but is not otherwise approved for sale and marketing in any other jurisdictions. Oxoferin, a topical wound healing agent, contains the active ingredient in WF10, but at a lower concentration. Oxoferin is marketed by the Company and its partners in parts of the E.U. and Asia as a topical wound healing agent under the trade names Oxoferin and Oxovasin™. The active ingredient in WF10 and Oxoferin is manufactured at the Company's facility in Wanzleben, Germany.

The Immunology Group was focused on developing drug products that modulate chronic inflammation processes resulting in a therapeutic benefit including the development of WF10 for the treatment of allergic rhinitis. In December 2015, the Company announced topline results of a Phase 2 clinical trial to assess WF10 for the treatment of allergic rhinitis. The topline results showed that patients dosed with WF10 did not report a reduction in symptoms that was significantly better than patients dosed with a saline placebo at any of the endpoints being measured in the trial. There was no significant difference in the performance of WF10 relative to placebo when patients were exposed to grass and ragweed pollen in the environmental exposure chamber (EEC) or when they were exposed to naturally occurring allergens during the field portion of the trial.

As a result, and as described above, the Board of Directors of Nuvo unanimously approved a proposal to initiate a divestiture or orderly wind-down of the Company's Immunology Group (see Note 15, *Segmented Information*). While the Company continues to explore a possible sale of the Immunology Group, if a divestiture transaction does not materialize, the wind-down of the Immunology Group's operations is expected to be completed by the end of 2016. As at March 31, 2016, the Company has recognized a write-down on inventory of $340 (€230) (see Note 4, *Inventories*) and an impairment of fixed assets of the Immunology Group in the amount of $27 (€18) (see Note 6, *Property, Plant and Equipment*). The Immunology Group includes the Company's wholly owned subsidiary Nuvo Research AG and its subsidiaries Nuvo Manufacturing GmbH and Nuvo Research GmbH.

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

As at March 31, 2016, the Company had an accumulated deficit of $22.3 million including a net loss of $6.1 million during the quarter.

The Company was economically dependent on, and has historically relied on, Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo transferred $35.0 million to the Company to provide working capital to the business. The Company anticipates that this cash will be sufficient to fund its operations into 2017.

Beyond that date, there can be no assurance that the Company will have sufficient capital to fund its ongoing operations or develop or commercialize any further products without future financings.

The Company's ability to continue as a going concern is dependent on its ability to secure additional licensing fees, secure co-development agreements, obtain additional capital when required, gain regulatory approval for other drugs and ultimately achieve profitable operations. To raise capital, the Company must demonstrate the successful progression of its pipeline products to significant milestones.

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

There can be no assurance that additional financing would be available on acceptable terms or at all, when and if required. If adequate funds are not available when required, the Company may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations. If the Company is unable to obtain additional financing when and if required, the Company may be unable to continue operations.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those followed in the most recent annual Combined Financial Statements. The policies applied in these Condensed Consolidated Interim Financial Statements are based on International Financial Reporting Standards (IFRS) issued and outstanding as at May 10, 2016, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

Basis of Measurement
These Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Company's corporate operations.

Use of Estimates and Judgments
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material.

Key areas of estimation or use of managerial assumptions have been applied on a basis consistent with those described in the most recent annual Combined Financial Statements and include:

Allocations

Prior to March 1, 2016:

- Nuvo paid certain costs for the Company and performed certain activities on behalf of the Company. As a result, these Condensed Consolidated Interim Financial Statements include allocations of certain balances and transactions reported in the accounts of Nuvo.
- An entity included in these Condensed Consolidated Interim Financial Statements paid certain costs for Nuvo and performed certain activities on behalf of Nuvo related to the HLT Patch. Accordingly, an allocation of certain balances and transactions reported in the accounts of this entity have been excluded from these Condensed Consolidated Interim Financial Statements.
- Compensation-related costs have been allocated using methodologies primarily based on proportionate time spent on the Company's and Nuvo's respective activities. These cost allocations have been determined on a basis considered by the Company and Nuvo to be a reasonable reflection of the utilization of services provided to the Company.

Basis of Consolidation

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

	March 31, 2016	December 31, 2015
Nuvo Research America, Inc. and its subsidiaries:		
Nuvo Research US, Inc., ZARS Pharma, Inc., and ZARS (UK) Limited	**100%**	100%
Dimethaid Immunology Inc.	**100%**	100%
Nuvo Research AG and its subsidiaries:		
Nuvo Manufacturing GmbH and Nuvo Research GmbH	**100%**	100%

All significant intercompany balances and transactions have been eliminated upon consolidation.

Accounting Standards Issued But Not Yet Applied

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

IFRS 9 – Financial Instruments

In October 2010, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9) which replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's Interim and Annual Consolidated Financial Statements commencing January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements.

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 16 – Leases

In January 2016, the IASB has 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.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's Consolidated Financial Statements.

4. INVENTORIES

Inventories consist of the following as at:

	March 31, 2016	December 31, 2015
	$	$
Raw materials	**-**	30
Work-in-process	**14**	209
Finished goods	**43**	135
	57	374

During the three months ended March 31, 2016, inventories in the amount of $0.4 million [March 31, 2015 - $0.1 million] were recognized in cost of goods sold.

All inventories relate to the Immunology Group segment. The Company reviewed inventory carrying values at March 31, 2016, as the Company continues to explore the divestiture or wind-down of the Immunology Group segment. Management determined that the recoverable amount of the Company's inventory was lower than its carrying amounts. During the three months ended March 31, 2016, $29 (€20) of raw materials, $129 (€87) of work-in-process and $182 (€123) of finished goods were written down [March 31, 2015 - $55 (€40) of finished goods]. There were no reversals of prior write-downs during the three months ended March 31, 2016 and 2015.

5. OTHER CURRENT ASSETS

Other current assets consist of the following as at:

	March 31, 2016	December 31, 2015
	$	$
Deposits[(i)]	**239**	2
Other receivables	**157**	59
Research and development supplies	**66**	-
Prepaid expenses	**27**	-
	489	61

(i) Deposits include $236 pledged as security for the corporate office lease.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) consists of the following as at:

	Buildings	Leasehold Improvements	Furniture and Fixtures	Computer Equipment	Production Laboratory and Other Equipment	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2015	919	113	216	906	307	2,461
Foreign exchange movements	(16)	-	(1)	(1)	(3)	(21)
Net transfers from Nuvo[(i)]	-	-	-	(3)	692	689
Disposals	-	-	-	-	(64)	(64)
Balance, March 31, 2016	**903**	**113**	**215**	**902**	**932**	**3,065**
Accumulated depreciation						
Balance, December 31, 2015	919	113	216	858	275	2,381
Foreign exchange movements	(16)	-	(1)	(1)	(2)	(20)
Net transfers from Nuvo[(i)]	-	-	-	-	671	671
Disposals	-	-	-	-	(64)	(64)
Depreciation expense	-	-	-	3	6	9
Impairment charge[(ii)]	-	-	-	18	9	27
Balance, March 31, 2016	**903**	**113**	**215**	**878**	**895**	**3,004**
NBV as at December 31, 2015	-	-	-	48	32	80
NBV as at March 31, 2016	**-**	**-**	**-**	**24**	**37**	**61**

(i) Net transfers from Nuvo includes assets attributable to Nuvo's drug development business transferred to Crescita as per the Arrangement.

(ii) The Company reviewed the carrying values of the Immunology Group's fixed assets for impairment at March 31, 2016 following the decision to initiate a divestiture or orderly wind-down of the group. Indications of impairment did exist, and management determined that assets were impaired, such that recoverable amounts were lower than their carrying amounts. As at March 31, 2016, the Company recognized an impairment charge of fixed assets of the Immunology Group in the amount of $27 (€18).

7. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	March 31, 2016	December 31, 2015
	$	$
Long-term consulting agreement from acquisition of non-controlling interest	**168**	225
Less current portion	**168**	190
Long-term balance	**-**	35

In December 2011, the Company increased its ownership in Nuvo Research AG to 100% by acquiring the 40% interest held by the minority owner. The consideration transferred to the non-controlling interest included a 5-year, US$150 per annum consulting agreement with the former minority shareholder, discounted at 15.5% and fair valued at US$519 ($528).

The future payments on the consulting obligation are as follows for the 12 months ending March 31:

	$
2017	178
Total payments	178
Less amount representing interest (approximately 15.5%)	10
Present value of obligation, including accretion	168
Less current portion	168
Long-term balance	-

8. SHARE CAPITAL

Authorized

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

Issued and Outstanding

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

The following table summarizes Crescita's outstanding common shares as at:

	Number 000s	Amount $
Balance, December 31, 2015	-	-
Issued pursuant to the Arrangement	11,487	51,613
Balance, March 31, 2016	**11,487**	**51,613**

The amount of Nuvo's net investment in Crescita at the effective date of the Arrangement was reclassified to share capital and deficit. To determine Crescita's share capital amount, Nuvo's stated capital immediately prior to the Arrangement was split based on the Butterfly Proportion of the Nuvo and Crescita common shares at the effective date of the Arrangement. Crescita's share capital amount was deducted from Nuvo's net investment and the remaining $19,372 was recognized as deficit.

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

9. STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

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

Nuvo's stock-based compensation plans included the Nuvo Share Incentive Plan, the Nuvo Deferred Share Unit (DSU) Plan and the Nuvo Share Appreciation Rights (SARs) Plan. Under Nuvo's Share Incentive Plan, there are three sub plans: the Nuvo Share Purchase Plan, the Nuvo Share Option Plan and the Nuvo Share Bonus Plan.

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

On February 18, 2016, shareholders of Nuvo approved a resolution affirming, ratifying and approving the Share Incentive Plan and approving all of the unallocated common shares issuable pursuant to the Share Incentive Plan. The Company's Share Incentive Plan came into effect on March 1, 2016. There was no activity under the Company's Share Incentive Plan and the Company's SARs Plan during March 2016.

The maximum number of common shares that will be reserved for issuance under the Crescita Share Incentive Plan shall be 15% of the total number of common shares outstanding from time-to-time, and the allocation of such maximum percentage among the three sub-plans comprising the Share Incentive Plan shall be determined by the Board of Directors (or a committee thereof) from time-to-time (provided that the maximum number of common shares that may be issued under the Share Bonus Plan shall not exceed a fixed number of common shares equal to 3% of the number of common shares outstanding immediately following the Arrangement which is 344,615).

As at March 31, 2016, the number of common shares available for issuance under the Share Incentive Plan was 973,056.

The following is a summary of stock-based compensation activity for the three months ended March 31, 2016 and 2015 which should be read in conjunction with the Company's Combined Financial Statements for the year ended December 31, 2015:

Share Option Plan

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

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

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

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

The exercise price of each Post-Arrangement stock option issued by Crescita was determined by allocating the exercise price of the original Nuvo stock option between the Post-Arrangement stock option issued by Nuvo and the Post-Arrangement stock option issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement. The relative fair market value was determined using the Butterfly Proportion (see Note 8, *Share Capital*). The vesting schedule and the term of each Post-Arrangement stock option issued by Crescita may be exercised remains the same as the original Nuvo stock option it was exchanged for.

The following is a schedule of Crescita's options outstanding at March 31, 2016:

	Number of Options	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, February 29, 2016	-	-	-
Issuance on Reorganization	751	0.43 – 5.25	1.35
Balance, March 31, 2016	**751**	**0.43 – 5.25**	**1.35**

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

	Outstanding			Exercisable	
Exercise Price Range	Number of Options	Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
$	(000s)	(years)	$	(000s)	$
0.43 – 0.74	300	8.0	0.65	198	0.60
1.21 – 1.42	207	5.7	1.36	207	1.36
1.77 – 1.91	187	1.7	1.89	187	1.89
3.12 – 5.25	57	3.8	3.21	57	3.21
	751	**5.5**	**1.35**	**649**	**1.44**

Deferred Share Unit Plan

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

Directors

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

Employees

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

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

Each DSU issued and outstanding at the effective date of the Arrangement was exchanged for a Nuvo common share. This exchange occurred immediately prior to the indirect exchange of each Nuvo common share for one Post-Arrangement Nuvo common share and one Crescita common share. All DSUs were fully vested at the effective date of the Arrangement.

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

Share Appreciation Rights Plan

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

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

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

Pursuant to the Arrangement, each Nuvo SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. The exchange of these SARs have been accounted for as a modification. There is no incremental fair value associated with the replacement SARs. The liability existing at the effective date of the Arrangement was allocated between Nuvo and Crescita based on the Butterfly Proportion (see Note 8, *Share Capital*). In addition, to the extent the holder of a replacement Crescita SAR does not have a post-Arrangement service requirement to

Crescita, the portion of the compensation relating to the award that is unamortized at the effective date of the Arrangement was immediately recognized as a charge to income.

The exercise price of each Post-Arrangement SAR issued by Crescita was determined by allocating the exercise price of the original Nuvo SAR between the Post-Arrangement SAR issued by Nuvo and the Post-Arrangement SAR issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement, using the Butterfly Proportion (see Note 8, *Share Capital*). The vesting schedule and the term of each Post-Arrangement SAR issued by Crescita may be exercised remains the same as the original Nuvo SAR it was exchanged for. The shareholder's of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity settled.

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

	Number of SARs 000s	**Fair Values $**	**Accrual $**
Balance, February 29, 2016	-	-	-
Issued on reorganization	495	0.16 – 0.98	203
Adjustment to market value	-	-	194
Balance, March 31, 2016	495	**0.83 – 1.27**	**397**

As at March 31, 2016, a SARs accrual of $397 is included in Crescita's accounts payable and accrued liabilities [December 31, 2015 - $565].

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

SARs Outstanding 000s	**Grant Date**	**Exercise Price $**	**Risk-free Interest Rate %**	**Expected Life years**	**Volatility Factor %**	**Fair Values $**
151	October 30, 2013	0.41	0.49%	1	170	1.27
159	April 4, 2014	0.74	0.49%	1 - 2	140 - 170	1.08 – 1.19
185	January 7, 2015	1.58	0.49%	1 - 3	118 - 170	0.83 - 1.04

Summary of Stock-based Compensation

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

	Three Months Ended March 31, 2016 $	Three Months Ended March 31, 2015 $
Stock option compensation expense	**29**	41
DSUs – adjustment to market value	**111**	(281)
SARs compensation expense	**342**	(244)
Stock-based compensation expense	**482**	(484)
Recorded in the Consolidated Interim Statements of Loss and Comprehensive Loss as follows:		
Research and development expenses	**65**	(44)
General and administrative expenses	**417**	(440)
	482	(484)

Stock-based compensation expense allocated from Nuvo totaled $288 for the period from January 1, 2016 to February 29, 2016.

10. NET LOSS PER COMMON SHARE

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

	March 31, 2016	March 31, 2015
	000s	000s
Common shares issued and outstanding	**11,487**	10,855
Stock options outstanding (Note 9)	**751**	881
SARs outstanding[(i)] (Note 9)	**495**	-
Warrants	**-**	324
	12,733	12,060

[(i)] The shareholder's of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity settled.

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

11. EXPENSES BY NATURE

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

(a) Employee costs:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	$	$
Short-term employee wages, bonuses and benefits	**1,376**	1,298
Share-based payments (Note 9)	**482**	(484)
Post-employment benefits	**6**	4
Termination benefits	**20**	**-**
Total employee costs	**1,884**	818
Included in:		
Cost of goods sold	**50**	11
Research and development expenses	**655**	618
General and administrative expenses	**1,179**	189
Total employee costs	**1,884**	818

(b) Depreciation and amortization:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	$	$
Research and development expenses	**5**	6
General and administrative expenses	**4**	4
Total depreciation and amortization	**9**	10

12. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	$	$
Accounts receivable	**(753)**	(69)
Inventories	**(21)**	(96)
Other current assets	**(429)**	72
Accounts payable and accrued liabilities	**(913)**	(1,108)
Net change in non-cash working capital	**(2,116)**	(1,201)

13. COMMITMENTS

The Company has commitments under research and other service contracts and minimum future rental payments under operating leases for the twelve months ending March 31 as follows:

	Research and Other Service Contracts	**Operating Leases**	**Total**
	$	**$**	**$**
2017	177	268	445
2018 and thereafter	-	45	45
	177	313	490

For the three months ended March 31, 2016, payments under operating leases totaled $44 [March 31, 2015 - $54]. These payments include a portion of Nuvo's corporate office lease during the carve-out period which had been allocated to the Company prior to March 1, 2016.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 - *Financial Instruments: Disclosures* requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in 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.

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

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

Level 2 liabilities include obligations of the Company for the SARs Plan described in Note 9, *Stock-based Compensation and Other Stock-based Payments*. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model.

The fair values of all other short-term financial assets and liabilities, presented in the Consolidated Interim Statements of Financial Position approximate their carrying amounts due to the short period to maturity of these financial instruments.

Rates currently available to the Company for long-term obligations, with similar terms and remaining maturities, have been used to estimate the fair value of other obligations. These fair values approximate the carrying values for all instruments.

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

Liquidity Risk
Prior to the Reorganization, the Company was economically dependent on, and has historically relied on, Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo transferred $35.0 million of cash to the Company to provide working capital. While the Company anticipates that its current cash and the revenues it expects to generate from royalty payments will be sufficient to fund its ongoing operations into 2017, the Company continues to have an ongoing need for substantial capital resources to research, develop, commercialize and manufacture its products and technologies as the Company is not generating enough cash to funds its operations.

The Company has contractual obligations related to accounts payable and accrued liabilities, purchase commitments and other obligations of $4.1 million that are due in less than one year and $45 of contractual obligations that are payable from 2018 to 2019.

The Company's exposure to liquidity risk is dependent on its R&D programs and associated commitments and obligations and the raising of capital. The Company had historically relied on funding from Nuvo to support its operations. There are no assurances that funds will be available to the Company when required.

Credit Risk
Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash and amounts receivable from global customers.

The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions.

The Company, in the normal course of business, is exposed to credit risk from its global customers, most of whom are in the pharmaceutical industry. The accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. In addition, the Company is exposed to credit related losses on sales to its customers outside North America and the E.U. due to potentially higher risks of enforceability and collectability. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement.

Excluding receivables from related parties, at March 31, 2016, 81% of accounts receivable related to customers outside North America and the E.U. [December 31, 2015 - 68%].

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

	March 31, 2016	December 31, 2015
	$	$
Current	**912**	188
0-30 days past due	**27**	7
	939	195

Interest Rate Risk
The Company is not subject to significant interest rate risk as its long-term obligation is non-interest bearing.

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)	**March 31, 2016**	December 31, 2015	**March 31, 2016**	December 31, 2015
	€	€	**$**	$
Cash	**111**	153	**7,281**	156
Accounts receivable	**124**	85	**41**	49
Other current assets	**-**	2	**-**	-
Accounts payable and accrued liabilities	**(407)**	(864)	**(368)**	(274)
Other short-term obligations	**-**	-	**(129)**	(162)
	(172)	(624)	**6,825**	(231)

Based on the aforementioned net exposure as at March 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $886 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $25 on total comprehensive loss.

In terms of the euro, the Company has one significant exposure: its net investment and net cash flows in its European operations. In terms of the U.S. dollar, the Company has three significant exposures: its net investment and net cash flows in its U.S. operations, the cost of running trials and other studies at U.S. sites, and revenue generated in U.S. dollars from licensing agreements with Galderma, the Company's licensee for Pliaglis.

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.

The Company does not currently hedge its euro cash flows. Periodically, the Company reviews the amount of euros held, and if they are excessive compared to the Company's projected future euro cash flows, they may be converted into U.S. or Canadian dollars. If the amount of euros held is insufficient, the Company may convert a portion of other currencies into euros.

The Company does not currently hedge its U.S. dollar cash flows. The Company's U.S. operations have net cash outflows and currently these are funded using the Company's U.S. dollar denominated cash and payments received under the terms of the licensing agreements with Galderma. Periodically, the Company reviews its projected future U.S. dollar cash flows and if the U.S. dollars held are insufficient, the Company may convert a portion of its other currencies into U.S. dollars. If the amount of U.S. dollars held is excessive, they may be converted into Canadian dollars or other currencies, as needed for the Company's other operations.

15. SEGMENTED INFORMATION

The Company has two reportable operating segments as outlined below, each supported by the corporate office. Corporate overheads are allocated entirely to the TPT Group.

From a financial perspective, executive management uses net loss to assess the performance of each segment.

The following tables show certain information with respect to operating segments:

Three months ended March 31, 2016	**TPT Group $**	**Immunology Group $**	**Total $**
Total revenue[(i)]	**95**	**136**	**231**
Depreciation of property, plant and equipment	**4**	**5**	**9**
Interest income	**9**	**-**	**9**
Interest expense	**7**	**-**	**7**
Net loss	**(4,955)**	**(1,103)**	**(6,058)**
Assets	**33,583**	**557**	**34,140**
Property, plant and equipment	**45**	**16**	**61**

Three months ended March 31, 2015	TPT Group $	Immunology Group $	Total $
Total revenue[(i)]	26	188	214
Depreciation of property, plant and equipment	4	6	10
Interest expense	12	-	12
Net loss	(964)	(1,331)	(2,295)
Assets	123	2,176	2,299
Property, plant and equipment	21	61	82
Additions to property, plant and equipment	-	3	3

(i) The Immunology Group currently derives all of its revenue from product sales.

Geographic Information

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	$	$
Other foreign countries	**124**	187
Europe	**54**	22
Canada	**53**	-
United States	**-**	5
	231	214

The geographic location of the Company's PP&E was as follows as at:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	$	$
Canada	**45**	21
Europe and other	**16**	61
	61	82

16. RELATED PARTY TRANSACTIONS

Prior to the completion of the Arrangement on March 1, 2016, Nuvo was considered a related party due to its parent-subsidiary relationship with the Crescita entities. Subsequent to the Reorganization, Nuvo and Crescita remain related parties due to shared key management personnel.

Corporate Cost Allocation

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

Corporate cost allocations that are reflected in general and administrative expenses and R&D expenses totaled $2,222 and $201 for the period from January 1, 2016 to February 29, 2016 [$537 and $77 for the three months ended March 31, 2015].

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

Transitional Services Agreement

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

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

	Three Months Ended March 31, 2016
	$
Transactions under the transitional services agreement:	
Services provided to Nuvo	**53**
Services received from Nuvo	**62**

At March 31, 2016 the following balances are outstanding:

	$
Due from Nuvo	**713**
Due to Nuvo	**211**

After March 1, 2016, both Nuvo and Crescita paid for certain costs on behalf of the other company, as necessary, to facilitate the separation of the Nuvo and Crescita accounting functions. At March 31, 2016 Crescita recognized a $0.7 million receivable due from Nuvo and a $0.2 million payable due to Nuvo as a result of certain costs paid on the other company's behalf during the transition.