CRESCITA THERAPEUTICS™ INC.

ANNUAL INFORMATION FORM

March 29, 2017

Table of Contents

CERTAIN REFERENCES

Unless otherwise noted, the information contained in this Annual Information Form (AIF) is provided as at December 31, 2016 or for the period ended December 31, 2016, as applicable.

For an explanation of key terms please refer to the "Glossary of Terms" at the end of this AIF. Unless otherwise noted, or indicated by context, "Crescita Therapeutics Inc.", "Crescita", the "Company", "our" and "we" refers to Crescita Therapeutics Inc. and its direct and indirect subsidiaries.

All dollar amounts are expressed in Canadian dollars unless otherwise noted.

On December 14, 2015, Nuvo Research Inc. (Nuvo Research), 2487002 Ontario Limited and 2487001 Ontario Limited, the predecessor companies of Crescita, entered into an arrangement agreement (the Arrangement Agreement) in respect of a reorganization of Nuvo Research into two separate publicly traded companies (the Reorganization), Nuvo Pharmaceuticals Inc. (Nuvo Pharma) and Crescita, each of which would each be owned 100% by Nuvo Research's shareholders. The Reorganization was approved by the shareholders of Nuvo Research at a special shareholders meeting on February 18, 2016 and by the Ontario Superior Court of Justice on February 24, 2016. The Reorganization was completed on March 1, 2016. In general, this AIF does not include historic information that is relevant only to Nuvo Pharma, its subsidiaries, and their respective businesses. See "General Development of the Business – Reorganization".

FORWARD-LOOKING INFORMATION

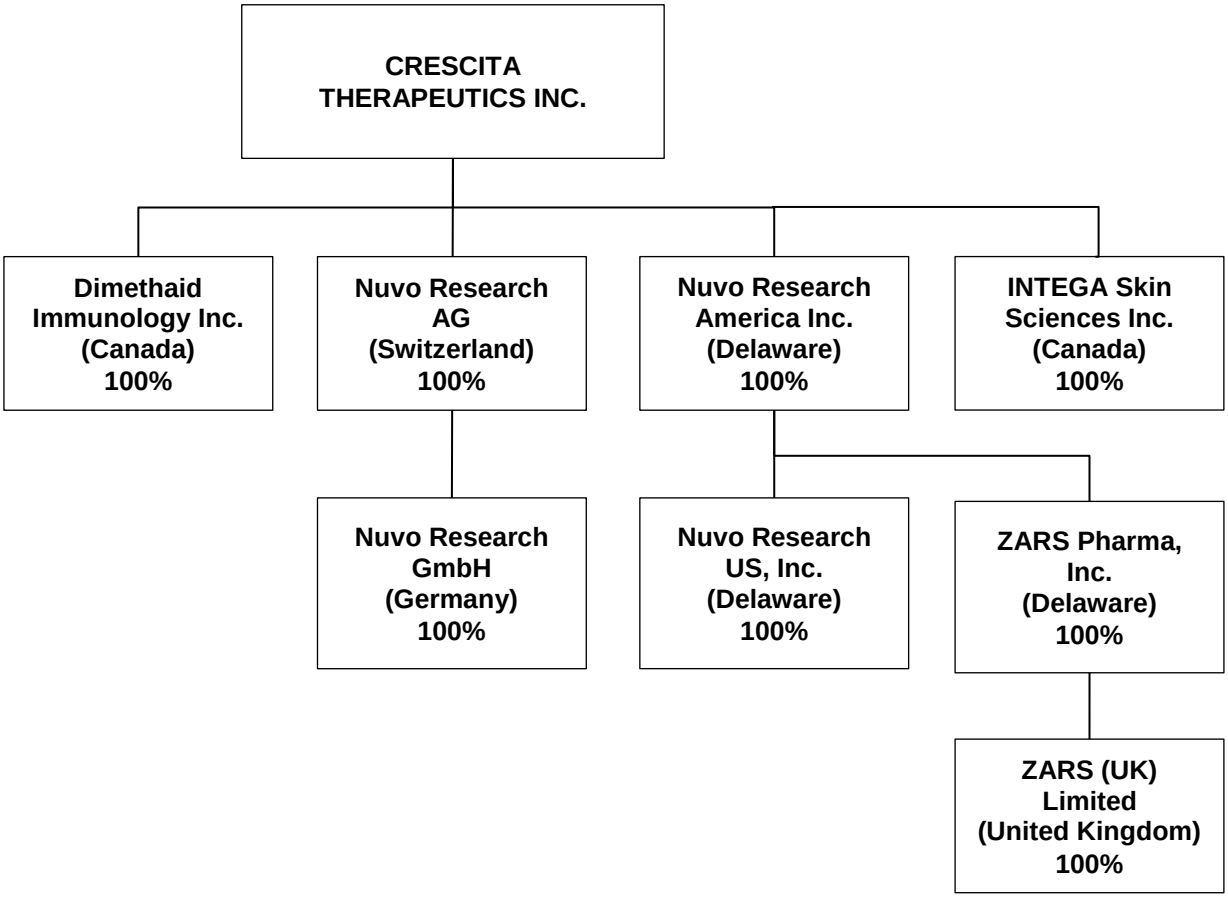
Certain statements in this AIF constitute forward-looking statements and/or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "General Development of the Business", "Narrative Description of the Business", "Risk Factors" and other 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 AIF under the heading "Risk Factors" and as described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. Additional factors that could affect Crescita are described in the Reorganization Circular (defined below) under the heading "Risk Factors". This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company'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 Company 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 AIF 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 AIF are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this AIF and except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

CRESCITA THERAPEUTICS INC. STRUCTURE

Organizational Chart

The organizational chart below shows Crescita's relationship to its subsidiaries, their respective jurisdictions of incorporation, as well as the percentage ownership as at December 31, 2016.



Corporate Structure

On December 14, 2015, Nuvo Research, 2487002 Ontario Limited and 2487001 Ontario Limited, the predecessor companies of Crescita, entered into the Arrangement Agreement in respect of the Reorganization. The Reorganization was approved by the shareholders of Nuvo Research at a special shareholders meeting on February 18, 2016 and by the Ontario Superior

Court of Justice on February 24, 2016. The Reorganization was completed on March 1, 2016 and Crescita was formed under the laws of the Province of Ontario.

Detailed information regarding the Reorganization, including a description of certain risks and uncertainties in respect of the Reorganization and the operation of the Company and Nuvo Pharma as separate publicly traded companies, are included in the management information circular of Nuvo Research dated December 31, 2015 (the Reorganization Circular) that is available under the Nuvo Pharma's corporate profile at www.sedar.com. See also "General Development of the Business – Reorganization".

The Company's registered office and principal place of business is located at 7560 Airport Road, Unit 10, Mississauga, Ontario L4T 4H4.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Important events which have occurred in the last three fiscal years and the period subsequent to December 31, 2016 up to the date of this 2016 AIF, including those events which are relevant to Crescita, but occurred before the effective date of the Reorganization, include the following:

Fiscal 2017 to AIF filing date

- In March, the Company signed an exclusive license agreement with a U.S.-based, major dermatological contract research company (CRO) (the Licensee) to develop prescription treatments of skin diseases utilizing Crescita's patented MMPE technology. The Licensee will oversee and fund the cost of all development activities until commercialization partner(s) for the products are secured. Crescita is entitled to a share of royalties and other consideration received by the Licensee from such partners based on a formula that includes compensation to Crescita for granting the Licensee the exclusive license to the MMPE technology.

- In January, INTEGA Skin Sciences (INTEGA) launched the ISDIN® Acnisdin and Nutratopic product lines at Brunet pharmacy chains throughout Québec. The trademark is owned by ISDIN S.A. and is being used under license by INTEGA.

Fiscal 2016

- In September, Pliaglis was granted regulatory approval for commercial sale in Mexico;

- In September, the Company completed the acquisition of INTEGA, a private company located in Laval, Québec that develops, manufactures, sells and markets science-based quality non-prescription skincare products. The INTEGA skincare brands include Laboratoire Dr Renaud™, Pro-Derm™, Premiology® and ISDIN. "See " – INTEGA acquisition";

- In July, the Company sold its manufacturing facility based in Germany that produced the active ingredient in WF10™ and Oxoferin™ and the intellectual property related to WF10 to Dr. Friedrich-Wilhelm Kuehne, the inventor of WF10, for nominal proceeds. During the second half of 2016, the Company commenced the wind-down

of the Immunology Group operations and expects this process to be completed by early 2018; and

- In March, the Reorganization was completed and Crescita was formed under the laws of the Province of Ontario. The trading of Crescita's common shares commenced on the Toronto Stock Exchange (the TSX). See "– Reorganization".

Fiscal 2015

- In December, Nuvo Research reacquired the development and marketing rights for Pliaglis in the U.S., Canada and Mexico. Under the terms of the agreement, Nuvo Research paid Galderma 125,000 Swiss Francs (approximately $174,000) and Crescita will pay an additional 125,000 Swiss Francs (approximately $174,000) upon the transfer of certain rights and documents. Beginning in 2021, the Company 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. Crescita receives a fixed single digit royalty on net sales in the territories outside of North America that Galderma still owns;

- In December, Nuvo Research announced top-line results of the 2015 WF10 trial (2015 WF10 Trial). The top-line 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 study. 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 or when they were exposed to naturally occurring allergens during the field portion of the study. As a result of this trial, Nuvo Research discontinued all WF10 development; and

- In January, Nuvo Research announced top-line results of its Phase 2 clinical trial to investigate the safety and efficacy of WF10 in patients with refractory allergic rhinitis (2014 WF10 Trial). The WF10 arm reduced allergy symptoms as evidenced by recorded patient Total Nasal Symptom Scores (TNSS). The placebo arm demonstrated an unexpected reduction in patient TNSS scores and the differences between the active and placebo arms were not statistically significant.

Fiscal 2014

- In April, Nuvo Research entered into a collaboration agreement with Ferndale Laboratories, Inc. (Ferndale) and a leading U.S.-based CRO to develop two topical dermatology products based on the Company's patented Multiplexed Molecular Penetration Enhancer (MMPE™) technology. Under the terms of the collaboration agreement, the Company will utilize its proprietary MMPE technology to formulate two patented topical dermatology product candidates. Once the formulations are complete, Ferndale, in collaboration with the CRO, will oversee and fund the formulations' advancement through Phase 2 clinical studies. It is anticipated that the product candidates will then be made available for out-licensing. Licensing revenues, including upfront payments, milestone payments and royalties will be shared by the parties based on a calculation that includes compensation to the Company for contributing the patented formulations. The Company is currently developing both formulations, one of which is currently being evaluated in a Phase 2 clinical trial being conducted by a leading CRO. The second formulation is still under development; and

- In March, Galderma launched the commercial sale and marketing of Pliaglis in Brazil.

Reorganization

On December 14, 2015, Nuvo Research, 2487002 Ontario Limited and 2487001 Ontario Limited, the predecessor companies of Crescita, entered into the Arrangement Agreement in respect of the proposed Reorganization of Nuvo Research into two separate publicly traded companies, Nuvo Pharma and Crescita, each of which would each be owned 100% by Nuvo Research's shareholders. The Reorganization was approved by the shareholders of Nuvo Research at a special shareholders meeting on February 18, 2016 and by the Ontario Superior Court of Justice on February 24, 2016. The Reorganization was completed on March 1, 2016.

Pursuant to the Reorganization, Nuvo Research's drug development business that focused on pain and dermatology, including Pliaglis and its MMPE technology, and its Immunology Group, including its WF10 assets and drug development program, were transferred to Crescita, along with $35.0 million of cash.

Detailed information regarding the Reorganization, including a description of certain risks and uncertainties in respect of the Reorganization and the operation of the Company and Nuvo Pharma as separate publicly traded companies, are included in the Reorganization Circular that is available under the Nuvo Pharma's corporate profile at www.sedar.com.

INTEGA Acquisition

On September 1, 2016, the Company acquired INTEGA, a private company located in Laval, Québec that develops, manufactures, sells and markets science-based quality non-prescription skincare products. INTEGA was financially backed by Knight Therapeutics Inc. (Knight) (TSX:GUD) and Bloom Burton Healthcare Lending Trust. The INTEGA skincare brands include Laboratoire Dr Renaud, Pro-Derm, Premiology and ISDIN.

Pursuant to the terms of a securities purchase agreement (the Securities Purchase Agreement) dated September 1, 2016 among the Company, INTEGA, Gregory M. C. Orleski, Bloom Burton Healthcare Lending Trust, Bloom Burton Structured Lending Fund II LP, Knight and certain other sellers, Crescita paid an aggregate purchase price for 100% of INTEGA's equity of:

- $8.0 million (subject to adjustments based on INTEGA's working capital and indebtedness as of closing, as well as Crescita's cash balance as of closing) (the Base Consideration); and

- Up to an additional $2.0 million, comprised of two potential $1.0 million payments (together, the Milestone Payments) contingent on INTEGA's financial performance (based on certain enumerated financial metrics) for the balance of 2016 and 2017.

The first $5.9 million of the Base Consideration was paid at closing through the issuance of 2,402,314 common shares of Crescita at a price of $2.44 per share, representing approximately 17.3% of the outstanding common shares of Crescita post-issuance. The balance of the Base Consideration will be paid within 30 days following Crescita's next annual shareholders meeting (the Final Payment Date), which will be held in the second quarter of 2017. If shareholder approval to pay the balance of the Base Consideration in common shares of Crescita is obtained at Crescita's next annual shareholders meeting, the balance of the Base Consideration will be paid in common shares of Crescita at a price of $2.44 per share. If shareholder approval is not obtained,

the balance will be paid in cash in the amount equal to the arithmetic product of (i) the number of common shares of Crescita that would have been issued if shareholder approval had been obtained at the annual general meeting, by (ii) the greater of (a) $2.44 per share, and (b) the five trading-day volume-weighted average closing price of the common shares of Crescita on the TSX ending on the last trading day prior to the date of Crescita's annual shareholders meeting.

The conditions of the first Milestone Payment based on 2016 financial performance were not met and the first potential $1.0 million payment will not be paid. If the conditions for payment of the second Milestone Payment are satisfied, the second Milestone Payment will be paid during the second quarter of 2018. Crescita's Board of Directors has the discretion to pay the second Milestone Payment in cash or common shares of Crescita (or a combination thereof), subject to shareholder approval. If the board determines to satisfy all or any portion of a Milestone Payment in shares, the value of the shares will be based on the five-day trading-day volume-weighted average closing price of the common shares of Crescita on the TSX ending on the last trading-day prior to the Crescita board meeting at which the 2017 annual financial statements are approved.

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

In connection with the acquisition, the Company repaid a bridge loan at closing of $3.0 million and INTEGA entered into an amended and restated secured loan agreement (the Loan Agreement) dated September 1, 2016 with Knight, as the lender, and the Company, as the guarantor, pursuant to which Knight agreed to loan approximately $7.0 million to INTEGA at an interest rate of 9% per year. The Loan Agreement maturity date is January 22, 2022 (the Loan Maturity Date), although Knight may advance the Loan Maturity Date by one year if certain sales targets are not met by INTEGA. The Loan Agreement contains both positive and negative covenants which are applicable to INTEGA, including covenants regarding the conduct of its business, the maintenance of insurance and its annual EBITDA (as such term is defined in the Loan Agreement) levels. As security for the performance of INTEGA's obligations under the Loan Agreement, the Company delivered Knight a limited recourse guarantee (the Guarantee) dated September 1, 2016, which is supported by a letter of credit. Knight's interests in the Guarantee and letter of credit shall be discharged following the payment and performance in full of all of INTEGA's obligations under and in connection with the Loan Agreement.

NARRATIVE DESCRIPTION OF THE BUSINESS

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

Strategy

The Company's management and Board of Directors made the decision to pursue a strategy to transform Crescita from a research and development (R&D) focused company into a dermatology company with an emphasis on commercially advanced non-prescription skincare markets and prescription drug products. This strategy would allow Crescita to leverage its skin penetration technology, as well as an approved topical product and to mitigate risks by pursuing

already approved products in the non-prescription skincare market. As a result of this change in focus on September 1, 2016, Crescita completed the acquisition of INTEGA. Management believes the INTEGA Acquisition provides the Company with a number of benefits including:

- A revenue-generating, fully integrated commercial skincare business, manufacturing facility, and the capability to market non-prescription skincare products through established distribution channels;

- Global distribution rights to well-known and established skincare brands: Laboratoire Dr Renaud, Pro-Derm, Premiology and Canadian rights for the ISDIN line;

- A commercial infrastructure capable of promoting its prescription drug Pliaglis in Canada;

- The ability to leverage its topical delivery technologies and combine its current lab facilities with those of INTEGA, for the development of potential new non-prescription skincare products; and

- The vehicle to leverage its business development capabilities to out-license INTEGA owned brands outside Canada, including the U.S., Asia and South America.

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

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

Set out below is an overview of Crescita's non-prescription skincare products and prescription drug products as at December 31, 2016, along with certain information regarding WF10, which the Company no longer produces.

Non-Prescription Skincare Products

Laboratoire Dr Renaud

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

Pro-Derm

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

the benefits of both cosmetic and pharmaceutical products. Crescita owns the worldwide sales and marketing rights for Pro-Derm.

Premiology

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

ISDIN

ISDIN is the market leader in skincare in Spain and was formed in 1975 through a joint venture between Esteve and Puig. ISDIN's focus is to offer a complete range of innovative dermatology solutions to consumers with the highest quality standards and strong clinical evidence. ISDIN is well established in Europe, Latin America and Asia with more than 14 brand families and a leading consumer market position in skin categories like hydration, sun care, atopic dermatitis, baby skin, acne and women's health and sun damage repair. INTEGA has the exclusive rights to market and sell ISDIN products in Canada. The trademark is owned by ISDIN S.A. and is being used under license by INTEGA.

Prescription Drug Products

Pliaglis

Pliaglis - lidocaine and tetracaine (7%/7%) formulation - is a topical local anesthetic cream that provides safe and effective local dermal anaesthesia 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 contains lidocaine and tetracaine and utilizes the 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. 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.

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

Pliaglis has been studied in 2,048 adult and geriatric subjects in 28 studies evaluating its efficacy and safety including 14 Phase 2 studies and 12 placebo-controlled, Phase 3 clinical studies. Eleven of the 12 studies clearly demonstrated the efficacy of Pliaglis in providing highly statistically significant and clinically meaningful levels of topical local anaesthesia prior to a painful dermal procedure in a variety of locations on the body of adult and geriatric subjects.

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

Flexicaine

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

MiCal 1 and MiCal 2

In April 2014, Nuvo Research entered into a collaboration agreement with MiCal (a joint venture between Ferndale and a leading CRO) to develop two topical dermatology products based on the Company's patented MMPE technology. Under the terms of the collaboration agreement, the Company will utilize its proprietary MMPE technology to formulate two patented topical dermatology product candidates. Once the formulations are complete, Ferndale, in collaboration with the CRO, will oversee and fund the formulations' advancement through Phase 2 clinical studies. It is anticipated that the product candidates will then be made available for out-licensing.

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

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

Pipeline Expansion and Early Stage Drug Development

Non-Prescription Skincare Products

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

Prescription Drug Products

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

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

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

1. MiCal 1 and 2 are products being developed under the Ferndale collaboration.
2. Region and country abbreviations defined as follows: Australia (AU), Canada (CA), China (CN), Europe (EP), Hong Kong (HK), Japan (JP), Mexico (MX), Russian Federation (RU), United States (U.S.).
3. U.S. patent is directed to treatment of neuropathic pain.

Technology

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

DuraPeel

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

MMPE

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

Manufacturing

The Company has a manufacturing facility located in Laval, Québec that manufactures and packages all the Laboratoire Dr Renaud, Pro-Derm and Premiology products. Crescita also provides contract manufacturing services to selected clients who require their products to be manufactured under Good Manufacturing Practices (GMP) conditions. Crescita has the capability to manufacture liquids and gels that can be packaged in tubes, bottles and other containers.

Intellectual Property

The value of the Company's commercial and drug development candidates, and their future prospects, depends heavily on establishing and protecting valid intellectual property rights for the

prescription drug products and establishing brand identity for the non-prescription products. See "Risk Factors – Patents, Trademarks and Proprietary Technology".

Patents

The Company owns intellectual property useful for drugs in the dermatology and pain therapeutic areas, including Pliaglis, Flexicaine, MMPE drug formulations and DuraPeel.

Pliaglis

The Company owns patents which cover Pliaglis. Claims are directed to compositions of matter and methods of use. A number of patents have been issued in Austria, Belgium, Canada, China, Denmark, France, Germany, Great Britain, Italy, Luxemburg, Netherlands, Spain, Sweden, and the U.S. The latest expiry date is 2019 in the U.S. and 2020 in countries outside of the U.S.

Flexicaine

The Company owns two distinct patent families relating to its Flexicaine formulation. These families include composition of matter claims and method of use claims for treating neuropathic pain. The first family has patents granted or allowed in Australia, Canada, China, Europe, Hong Kong, Japan, Russia and the U.S. Additional applications are pending in 3 other countries. The second family has patents granted in Australia, Canada and Mexico. Additional applications are pending in 2 other countries including the U.S.

MMPE Technology

A U.S. patent claiming certain combinations of particular molecular penetration enhancers (MPEs) together with certain active drugs in topical formulations was issued on September 14, 2010 as U.S. Patent No. 7,795,309. Three related U.S. patents covering alternative topical formulations were issued on January 1, 2013 as U.S. Patent No. 8,343,962, August 20, 2013 as U.S. Patent No. 8,513,304 and April 12, 2016 as U.S. Patent No. 9,308,181. In addition, U.S. patent application no. 14/578,812 covering other topical formulations is allowed.

DuraPeel Technology

The Company holds several patent families covering the DuraPeel technology platform. Claims are directed to composition of matter and methods of use in the treatment of pain, dermatitis and other conditions. Worldwide, there are a number of pending patent applications and issued patents protecting this technology.

Trademarks

The Company holds certain registered trademarks and trademark applications that cover its pipeline and commercial products.

Confidential Information and Trade Secrets

In addition to patent protection, the confidential nature of the Company's expertise and its trade secrets are intended to provide a period of exclusivity with respect to processes or products developed by, or for, the Company and its exclusive benefit. The Company believes it has taken steps reasonably necessary to protect the confidentiality of its commercially sensitive activities. See "Risk Factors – Patents, trademarks and proprietary technology".

Employees

As at December 31, 2016, the Company had 81 full-time employees. Crescita employees are not subject to any collective bargaining agreements and are not unionized.

Specialized Skill and Knowledge

The Company's non-prescription skincare products business specializes in establishing marketing plans and brand identity for its products. The Company also relies on its sales, marketing and regulatory team in establishing product development targets. The Company, from time-to-time, will enlist outside sales and marketing expertise to help establish sales and marketing plans.

The Company's prescription drug products business specializes in drug development and relies on its ability to design and conduct clinical studies, navigate the regulatory pathway in Canada, the U.S. and Europe and out-license its products in development. The Company from time-to-time will enlist the support of experienced clinical trial, regulatory and legal consultants and will use this and its own expert knowledge to assist in the successful development of its products and the protection of its intellectual property.

Competitive Conditions

Non-prescription Skincare Products

The skincare industry is highly competitive and can change rapidly due to consumer preferences and industry trends. The Company faces competition from G.M. COLLIN, Skinceuticals and La Roche Posay, among others. The Company's competitors in the skincare industry may have greater resources and experience in marketing, manufacturing and selling their products. The Company believes its competitive strengths include:

- Canadian success story for 50 years with Laboratoire Dr Renaud and 20 years with Pro-Derm and support from global leaders in skincare like ISDIN with more than 40 years' experience;
- Differentiation from the competition with the introduction of high quality products with Innovative formulas that exceed customer expectations; and
- First-Class sales, product training, and customer service support.

See "Risk Factors – Competition – Non-prescription skincare products".

Prescription Drug Products

The pharmaceutical industry is characterized by evolving technology and intense competition. Many companies, including major pharmaceutical and specialized biotechnology companies, are engaged in activities focused on medical conditions that are the same as or similar to those targeted by the Company. Competition from pharmaceutical, chemical and biotechnology companies, as well as universities and research institutes, is intense and is expected to increase. Many of these organizations have substantially greater R&D, experience in manufacturing, marketing, financial and managerial resources and they represent significant competition. The Company's branded products may also face competition from generic versions. The Company's success depends upon maintaining its competitive position in the R&D and commercialization of its products. See "Risk Factors – Competition – Prescription drug products".

Product Development Process and Regulatory Environment

Non-Prescription Skincare Products

In Canada, topical skincare products can fall into several different categories including cosmetics, natural health products, and drugs. A "cosmetic" (most non-prescription skincare products) is any substance used to clean, improve or change the complexion, skin, hair, nails or teeth. Most non-prescription skincare products include beauty preparations (make-up, perfume, skin cream, nail polish) and grooming aids (soap, shampoo, shaving cream, deodorant). Products containing natural active ingredients that claim to have a therapeutic effect (for example, a topical herbal remedy to speed scar healing) are considered natural health products (NHP). Products that claim to have a therapeutic effect (i.e. to prevent or treat disease), or that contain certain active ingredients not allowed in most non-prescription skincare products are considered to be drugs, for example, topical antibiotic creams. A product that is authorized as a drug has a Drug Identification Number (DIN) or an Natural Product Number (NPN) on its label. Sunscreens are classified either as NHPs or as drugs (DIN) depending on the specific medicinal ingredients they contain. In addition, non-medicinal ingredients must be chosen from the current Natural Health Products Ingredients Database and must meet the limitations outlined in that database, the Food and Drug Regulations (FDR), the Herbs used as Non-medicinal Ingredients in Non-prescription Drugs for Human Use, and/or the current Cosmetic Ingredient Hotlist, when relevant.

Most non-prescription skincare products do not require a product license or regulatory approval prior to being marketed in Canada, but manufacturers must notify Health Canada within 10 days after they first sell a cosmetic in Canada. Cosmetic manufacturers must also review the Cosmetic Ingredient Hotlist to ensure they do not include any substances that are restricted or prohibited in most non-prescription skincare products. All NHPs sold in Canada require a product license before being marketed and must first undergo a pre-market review where they will be assessed for safety, efficacy, and quality. Any product defined as a drug under the Canadian Food and Drugs Act must undergo a review and approval process similar to that utilized by the FDA in the U.S. culminating in the submission of a New Drug Submission (NDS) that contains information about the drug's safety, effectiveness and quality. Once a drug is approved, the Therapeutic Products Directorate (TPD) issues a DIN which permits the manufacturer to market the drug in Canada.

Prescription Drug Products

The research, development, manufacture and marketing of prescription drug products are subject to regulation by the FDA in the U.S., the TPD in Canada, the European Medicines Agency (EMA) in Europe and comparable regulatory authorities in other foreign countries. The activities which must typically be completed prior to obtaining approval for marketing a new drug product in Canada, the U.S. and E.U. include preclinical studies, filing of an IND or CTA, clinical studies in human subjects, and submission of an NDS or equivalent. A potential new drug must first be tested in the laboratory and in several animal species (preclinical or non-clinical studies) before being evaluated in humans (clinical studies). Preclinical studies primarily involve in vitro evaluations of the therapeutic activity of the drug and in vivo evaluations of the pharmacokinetic (PK), metabolic and toxic effects of the drug in selected animal species. Upon successful completion of the preclinical studies, the drug typically undergoes a series of evaluations in humans, including healthy volunteers and patients with the targeted indication. Phase 1 trials are designed to determine the metabolic and pharmacologic actions of the drug in humans, the side effects associated with increasing doses with a primary focus on drug safety. Phase 2 trials are controlled clinical studies conducted to obtain some preliminary data on the effectiveness and safety of the drug for a particular indication or indications in patients with the disease or condition and helps determine dosage levels, common short-term side effects and risks associated with the drug. Phase 3 trials are typically larger-scale, registration studies conducted to gather additional

information about effectiveness and safety that is needed to evaluate the overall risk-benefit relationship of the drug. The objective of these clinical studies is to demonstrate to the national regulatory authorities in the countries in which it intends to market the new drug that the drug is both effective and safe for its intended use and population. This information is compiled in an NDA, NDS filing or equivalent which summarizes the safety and efficacy results obtained via preclinical and clinical studies along with relevant chemistry, manufacturing and controls (CMC) information that is reviewed prior to approval. Once the data is reviewed and approved by the appropriate regulatory authorities, such as the TPD, FDA or EMA, the drug is deemed ready for sale.

Litigation

From time-to-time, during the ordinary course of business, the Company is threatened with, or is named as a defendant in various legal proceedings, including lawsuits based upon product liability, patent infringement, personal injury, breach of contract and lost profits or other consequential damage claims. See “Risk Factors – Litigation and regulation”.

RISK FACTORS

An investment in the securities of the Company is speculative and involves a high degree of risk including, but not limited to, the risk factors discussed in this document. Before making an investment decision, investors should carefully consider these risk factors. If any of the factors identified as risks actually occur, the Company’s business, results of operations and financial condition, and the market price of its shares could be materially adversely affected. However, the risks described below are not the only ones the Company faces. Additional risks not currently known to the Company or those that it currently believes to be immaterial, may also harm the Company’s business.

Need for additional financing

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

The acquisition of INTEGA was a significant acquisition for the Company under National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102), and requires the filing of a business acquisition report (the BAR) containing certain financial statements and other information regarding INTEGA. The deadline for filing the BAR was November 16, 2016. Following the acquisition, Crescita, in consultation with its financial and legal advisers, determined that it was not practicable to prepare the financial information that is required to be included in the BAR under NI 51-102. As a result, Crescita was not able to file the BAR on time and was noted in default of its

obligations under securities laws on or about November 17, 2016. On February 16, 2017, the Company obtained exemptive relief from the Ontario Securities Commission permitting Crescita to file the BAR with alternative financial information. Crescita expects to file the BAR during the second quarter of 2017, at which time, it expects that it will no longer be in default of Canadian securities laws.

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

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

Inability to meet Debt Commitments

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

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

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

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

Acquisition and integration of complementary technologies or businesses

The Company plans to continue to pursue product or business acquisitions that could complement or expand its business. However, it may not be able to identify appropriate acquisition candidates in the future. If an acquisition candidate is identified, the Company may not be able to

successfully negotiate the terms of any such acquisition or finance such acquisition. Any such acquisition could result in unanticipated costs or liabilities, diversion of management's attention from the core business, the expenditure of resources and the potential loss of key employees, particularly those of the acquired organizations. In addition, the Company may not be able to successfully integrate any businesses, products, technologies or personnel that it might acquire in the future, which may harm its business.

To the extent the Company issues common shares or other rights to finance any acquisition, existing shareholders may be diluted. In connection with an acquisition, the Company may acquire goodwill and other long-lived assets that are subject to impairment tests, which could result in future impairment charges.

There are several factors that may impact Crescita's ability to achieve all of the estimated synergies from the INTEGA acquisition as a result of cost rationalization and integration initiatives. These factors may include greater than expected operating costs, longer than anticipated integration timelines, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, which are under evaluation.

Unexpected costs or liabilities related to the INTEGA Acquisition

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

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

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

Products may fail to achieve market acceptance

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

- availability, cost and effectiveness of products when compared to competing products and alternative treatments;

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

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

Competition

Non-prescription skincare products

The skincare industry is highly competitive and can change rapidly due to consumer preferences and industry trends. Competition in the skincare industry is based on brand strength, pricing and assortment of products, point of sale presence and visibility, innovation, perceived value, product availability and order fulfillment, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce and mobile commerce initiatives and other activities. It is difficult to predict the timing and scale of the Company's competitors' actions in these areas. The Company's success depends on its products' appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change, and on our ability to anticipate and respond in a timely and cost-effective manner to market trends through product innovations, product line extensions and marketing and promotional activities. As product life cycles shorten, the Company must continually work to develop, produce, and market new products and maintain and enhance the recognition of our brands. Net revenues and margins on beauty products tend to decline as they advance in their life cycles, so net revenues and margins could suffer if the Company does not successfully and continuously develop new products. This issue is further compounded by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. Constant product innovation also can place a strain on our financial and personnel resources. The Company may incur expenses in connection with product innovation and development, marketing and advertising that are not subsequently supported by a sufficient level of sales. These factors, as well as new product risks, could have an adverse effect on our business, prospects, results of operations, financial condition or cash flows.

Prescription drug products

The pharmaceutical industry is characterized by evolving technology and intense competition. The Company is engaged in areas of research where developments are expected to continue at a rapid pace. Many companies, including major pharmaceutical and specialized biotechnology companies, are engaged in activities focused on medical conditions that are the same as or similar to those targeted by the Company. The Company's success depends upon maintaining its competitive position in R&D and commercialization of its products. Competition

from pharmaceutical, chemical and biotechnology companies, as well as universities and research institutes, is intense and is expected to increase. Many of these organizations have substantially greater R&D, experience in manufacturing, marketing, financial and managerial resources and they represent significant competition. If the Company fails to compete successfully in any of these areas, its business, results of operations, financial condition and cash flows could be adversely affected.

The intensely competitive environment of the branded products business requires an ongoing, extensive search for medical and technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of branded products for their intended uses to healthcare professionals in private practice, group practices and managed care organizations. There can be no assurance that the Company and its drug development partners will be able to successfully develop medical or technological innovations or that the Company and its licensing partners will be able to effectively market the Company's existing products or any future products.

The Company's branded products may face competition from generic versions. Generic versions are generally significantly cheaper than the branded version, and, where available, may be required or encouraged in preference to the branded version under third-party reimbursement programs or substituted by pharmacies for branded versions by law. The entrance of generic competition to the Company's branded products generally reduces the market share and adversely affects the Company's profitability and cash flows. Generic competition with the Company's branded products would be expected to have a material adverse effect on net sales and profitability of the branded product and of the Company.

Additionally, the Company competes to acquire the intellectual property assets that are required to continue to develop and broaden its product portfolio. In addition to in-house R&D efforts, the Company seeks to acquire rights to new intellectual property through corporate acquisitions, asset acquisitions, licensing and joint venture arrangements. Competitors with greater resources may acquire assets that the Company seeks, and even if the Company is successful, competition may increase the acquisition price of such assets. The Company's growth may be limited if it fails to compete successfully.

Competition for Pliaglis

Pliaglis faces competition in all markets from other topically applied local anesthetic drug products such as compounded anesthetic creams that are available from certain compounding pharmacies, EMLA Cream (lidocaine 2.5% and prilocaine 2.5%) and L.M.X 4 and L.M.X.5 Anorectal Creams that are available over the counter.

Ability to protect know how and trade secrets

The ability of the Company to maintain the confidentiality of its expertise and trade secrets is essential to success. Disclosure and use of the Company's expertise and trade secrets, not otherwise protected by patents, are generally controlled under agreements with the parties involved. There can be no assurance however, that all confidentiality agreements are legally enforceable or will be honoured, that others will not independently develop equivalent or competing technology, that disputes will not arise over the ownership of intellectual property or that disclosure of the Company's trade secrets will not occur. To the extent that consultants or other research collaborators use intellectual property owned by others while working with the Company, disputes may also arise over the rights to related or resulting expertise or inventions.

Manage inventory

The competitive nature of the skincare industry and rapidly changing consumer preferences require constant product innovation and have led to the shortening of product life cycles. As a result, the Company monitors inventories based on forecasted demand, the estimated market value and shelf life of inventory and historic experience. If the Company misjudges consumer preferences or demands or future sales do not reach forecasted levels, the Company could have excess inventory that may not be needed, may need to be held for a long period-of-time, written down, sold at prices lower than expected or discarded. If the Company is not successful in managing inventory, the business, results of operations, financial condition or cash flows could be adversely affected.

Sales, marketing and distribution of products

Non-prescription skincare products

In order to successfully commercialize its skincare products, the Company must devote sufficient resources to develop and maintain a capable sales, marketing and distribution infrastructure or enter into collaborations with partners to perform some or all of these services for the Company. The Company may be unable to devote the resources necessary to develop and maintain a suitable sales, marketing and distribution infrastructure. The Company distributes its skincare products primarily through a large network of aestheticians, spas, medispas, medical clinics and retailers that generally sell, distribute or provide its skincare products. The business would be harmed if any of its customers were unable or unwilling to distribute its skincare products on commercially favourable terms to the Company. It is possible that distribution partners could decide to change their policies or fees, or both, in the future. This could result in their refusal to distribute products, or cause higher product distribution costs, lower margins or the need to find alternative methods of distributing products. Such alternative methods may not exist or may not be economically viable.

Factors that may inhibit the Company's efforts to grow or maintain an internal sales, marketing and distribution infrastructure and its ability to successfully commercialize its skincare products include:

- a lack of sufficient financial resources;
- an inability to recruit and retain adequate number of effective sales and marketing personnel;
- an inability of sales personnel to obtain demand for its skincare products;
- a lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with maintaining and expanding a sales and marketing organization.

The Company may not be able to enter into collaborations on acceptable terms, if at all, and the Company may face competition in the search for partners with whom the Company may collaborate. If the Company is not able to maintain and expand an effective sales, marketing and distribution infrastructure, or collaborate with a partner to perform these functions, the Company

may be unable to sell its skincare products, which would adversely affect the Company's financial condition and results of operations.

Prescription drug products

Crescita will rely on marketing arrangements, including joint ventures, licensing or other third-party arrangements, to distribute its products in jurisdictions where it lacks the resources or expertise. Crescita will face significant competition in seeking appropriate partners and distributors. Moreover, collaboration and distribution arrangements are complex and time consuming to negotiate, document and implement. Therefore, there can be no assurance that Crescita will be able to find additional marketing and distribution partners in any jurisdiction or be able to enter into any marketing and distribution arrangements on acceptable terms, if at all. Moreover, there can be no assurance that Crescita's partners will dedicate the resources needed to successfully market and distribute Crescita's products and maximize sales. In addition, under these arrangements, disputes may arise with respect to payments that Crescita or its partners believe are due under such distribution or marketing arrangements, a partner or distributor may develop or distribute products that compete with Crescita's products or they may terminate the relationship.

The Company has minimal influence in the worldwide sales and marketing activities for Pliaglis, as these decisions are made by Galderma, except for North America. In December 2015, the Company reacquired the North American rights to Pliaglis. See "General Development of the Business". Although the Company has three seats on the Joint Steering Committee that was established to monitor the development and commercial activities related to Pliaglis in the Galderma territory, the Company has no direct control over the technical, regulatory and commercial activities for the product. In addition, Galderma is responsible for the commercialization of Pliaglis outside of North America and, as such, the Company will rely on Galderma to successfully execute a worldwide commercialization program. Delays in obtaining the appropriate regulatory approvals for Pliaglis in territories or an unsuccessful launch in any major territory may have an adverse effect on the Company's royalty income and cash flows.

The Company will depend on all of its partners and licensees to comply with all government legislation and regulations relating to selling Crescita's products in their respective territories. If any of the Company's partners do not comply, this could have a material impact on the cash flows of the Company.

Non-prescription skincare products adversely affected by factors impacting our customers' businesses

Factors that adversely impact our customers' businesses may also have an adverse effect on our business, prospects, results of operations, financial condition or cash flows. These factors may include:

- Any reduction in consumer traffic and demand at our customers as a result of economic downturns like domestic and international recessions or changes in consumer preferences;

- Any credit risks associated with the financial condition of our customers;

- The effect of consolidation or weakness in the retail industry or at certain retail customers, including the closure of customer doors and the resulting uncertainty; and

- Inventory reduction initiatives and other factors affecting customer buying patterns, including any reduction in retail space committed to skincare products and retailer practices used to control inventory shrinkage.

Reimbursement and product pricing for prescription drug products

There can be no assurance that Pliaglis will receive reimbursement coverage in any jurisdiction. In the U.S., Canada and other countries, sales of Pliaglis may depend in part upon the availability of reimbursement from third-party payers, which include government health authorities, managed care organizations and other private health insurers. Third-party payers are increasingly challenging the price and examining the cost effectiveness of medical products and services. Increasingly, government and other third-party payers are attempting to contain expenditures for new therapeutic products by limiting or refusing coverage, limiting reimbursement levels, imposing high co-pays, requiring prior authorizations and implementing other measures. Inadequate coverage or reimbursement could adversely affect market acceptance of the Company's products. Moreover, the trend toward managed healthcare in the U.S., the growth of organizations such as health maintenance organizations and reforms to healthcare and government insurance programs, could significantly influence the purchase of healthcare services and products, resulting in lower prices and reduced demand for the Company's products. Furthermore, even after approval for reimbursement for the Company's products is obtained from private health coverage insurers or government health authorities, it may be removed at any time.

In the U.S., each third-party payer plan is organized into tiers and the number of tiers will vary. Each tier represents a different reimbursement level. There is no guarantee that the Company's products will be reimbursed even at tiers where the reimbursement amounts are minimal.

In some countries, particularly the countries of the E.U., the pricing of prescription pharmaceuticals is subject to government control. In these countries, pricing negotiations with governmental authorities can take considerable time and delay the introduction of a product to the market. To obtain reimbursement or pricing approval in some countries, the Company may be required to conduct a clinical trial that compares the cost effectiveness of its product candidate to other available therapies. If reimbursement of the Company's product is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, its business could be adversely affected. In addition, any country could pass legislation or change regulations affecting the pricing of pharmaceuticals before or after a regulatory agency approves any of its product candidates for marketing in ways that could adversely affect the Company. While the Company cannot predict the likelihood of any legislative or regulatory changes, if any government or regulatory agency adopts new legislation or new regulations, the Company's business could be harmed.

Quality, efficacy and safety of the Company's products

The Company's success depends, in part, on the quality, efficacy and safety of its products. If products are found or alleged to be defective or unsafe, or if they fail to meet customer or consumer standards, the relationships with customers or consumers could suffer, the appeal of one or more of the Company's brands could be diminished, and the Company could lose sales and/or become subject to liability claims, any of which could have a material adverse effect on the business, prospects, results of operations, financial condition or cash flows.

Potential product liability

The Company may be subject to product liability claims associated with the use of its products and there can be no assurance that liability insurance will continue to be available on commercially reasonable terms or at all. Product liability claims might also exceed the amounts or fall outside of such coverage. Product liability claims against the Company, regardless of their merit or potential outcome, could be costly and divert management's attention from other business matters or adversely affect its reputation and the demand for its products.

In addition, certain drug retailers and distributors and skincare retailers and distributors require minimum liability insurance as a condition of purchasing or accepting products for retail or wholesale distribution. Failure to satisfy such insurance requirements could impede the ability of the Company or its potential partners in achieving broad retail distribution of its products, resulting in a material adverse effect on the Company.

There can be no assurance that a product liability claim or series of claims brought against the Company would not have a material adverse effect on its business, financial condition, results of operations and cash flows. If any claim is brought against the Company, regardless of the success or failure of the claim, there can be no assurance that the Company will be able to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against potential liabilities or the cost of a recall.

Manufacturing and supply risks

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

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

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

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

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

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

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

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

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

- Crescita may encounter difficulties in achieving volume production, quality control and quality assurance, as well as relating to shortages of qualified personnel. Accordingly, Crescita might not be able to manufacture sufficient quantities to successfully commercialize its products;
- Crescita's manufacturing facilities will be required to undergo satisfactory current GMPs inspections prior to regulatory approval and are obliged to operate in accordance with Health Canada and other nationally mandated GMPs, which govern manufacturing processes, stability testing, record keeping and quality standards. Failure to establish and follow GMPs and to document adherence to such practices, may lead to significant delays in the availability of Crescita's products; and

- Changing manufacturing locations would be difficult and the number of potential manufacturers is limited. Changing manufacturers generally requires re-validation of the manufacturing processes and procedures in accordance with E.U. and other nationally mandated GMPs. Such re-validation may be costly and would be time consuming. It would be difficult or impossible to quickly find replacement manufacturers on acceptable terms, if at all.

Crescita's manufacturing facilities will be subject to ongoing periodic unannounced inspection by Health Canada and other government agencies, and may be subject to inspection by local, state, provincial and federal authorities from various jurisdictions to ensure strict compliance with GMPs and other government regulations. A recent audit from Health Canada, recommended an upgrade to the INTEGA manufacturing facility that management estimates could cost approximately $0.5 million over the next twelve to eighteen months. Failure by Crescita to comply with applicable regulations could result in sanctions being imposed on it, including fines, injunctions, civil penalties, failure of the government to grant review of submissions or market approval of products, delays, suspension or withdrawal of approvals, seizures or recalls of product, operating restrictions, facility closures and criminal prosecutions, any of which could materially adversely affect Crescita's business.

Patents, trademarks and proprietary technology

There can be no assurance as to the breadth or degree of protection that existing or future patents or patent applications may afford the Company or that any patent applications will result in issued patents or that the Company's patents or trademarks will be upheld if challenged. It is possible that the Company's existing patent or trademark rights may be deemed invalid. Although the Company believes that its products do not, and will not, infringe valid patents or trademarks or violate the proprietary rights of others, it is possible that use, sale or manufacture of its products may infringe on existing or future patents, trademarks or proprietary rights of others. If the Company's products infringe the patents or proprietary rights of others, the Company may be required to stop selling or making its products, may be required to modify or rename its products or may have to obtain licenses to continue using, making or selling them. There can be no assurance that the Company will be able to do so in a timely manner, upon acceptable terms and conditions, or at all. The failure to do any of the foregoing could have a material adverse effect upon the Company. In addition, there can be no assurance that the Company will have sufficient financial or other resources to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Company's products infringe patents, trademarks or proprietary rights of others, the Company could, under certain circumstances, become liable for substantial damages which could also have a material adverse effect.

Regardless of the validity of the Company's patents, there can be no assurance that others will be unable to obtain patents or develop competitive non-infringing products or processes that permit such parties to compete with the Company. The Company may not be able to protect its intellectual property rights throughout the world as filing, prosecuting and defending patents and trademarks on all of the Company's product candidates, products and product names, when and if they exist, in every jurisdiction would be prohibitively expensive and can take several years. Competitors may manufacture, sell or use the Company's technologies and use its trademarks in jurisdictions where the Company or its partners have not obtained patent and trademark protection. These products may compete with the Company's products, when and if it has any, and may not be covered by any of its or its partners' patent claims or other intellectual property rights.

The laws of some countries do not protect intellectual property rights to the same extent as the laws of Canada and the U.S. and many companies have encountered significant problems in

protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents, trademarks and other intellectual property protection, particularly those protections relating to biotechnology and pharmaceuticals, which could make it difficult for the Company to stop the infringement of its patents. Proceedings to enforce patent rights in foreign jurisdictions could result in substantial cost and divert efforts and attention from other aspects of the business.

The discovery, trial and appeals process in patent litigation can take several years. The Company could commence a lawsuit against a third party for patent infringement or a lawsuit could commence against the Company with respect to the validity of its patents or any alleged patent infringement by the Company. The cost of such litigation, as well as the ultimate outcome of such litigation, whether or not the Company is successful, could have a material adverse effect on its business, results of operations, financial condition and cash flows.

Changes in government regulation

The business of the Company may be adversely affected by such factors as changes in the regulatory environment with respect to intellectual property, regulation, export controls or product marketing approvals. Such changes remain beyond the Company's control and have an unpredictable impact.

Inability to achieve drug development goals

From time-to-time, the Company sets targets and makes public statements regarding its expected timing for achieving drug development goals. These include targets for the commencement and completion of preclinical and clinical trials, studies and tests and anticipated regulatory filing and approval dates. These targets are set based on a number of assumptions that may not prove to be accurate. The actual timing of these forward-looking events can vary dramatically from the Company's estimates or they might not be achieved at all, due to factors such as delays or failures in clinical trials or preclinical work, scheduling changes at CROs, the need to develop additional data required by regulators as a condition of approval, the uncertainties inherent in the regulatory approval process, delays in achieving manufacturing or marketing arrangements necessary to commercialize product candidates, including out-licensing of product candidates if the Company deems this necessary and limitations on the funds available to the Company. If the Company does not meet these targets, including those which are publicly announced, the ultimate commercialization of its products may be delayed and, as a result, its business could be harmed.

The Company has product candidates that are at an early stage in the drug development process and have not progressed to the clinical trial phase of development. There can be no assurance that preclinical or clinical testing of the Company's product candidates will yield sufficiently positive results to enable progress toward commercialization and any such trials will take significant time to complete. Unsatisfactory results may prompt the Company to reduce or abandon future testing or commercialization of particular product candidates and this may have a material adverse effect on the Company.

Due to the inherent risk associated with R&D efforts in the pharmaceutical industry, particularly with respect to new drugs, the Company's R&D expenditures may not result in the successful introduction of government approved new pharmaceutical products. Also, after submitting a drug candidate for regulatory approval, the regulatory authority may require additional studies, and as a result, the Company may be unable to reasonably predict the total R&D costs to develop a particular product.

Obtaining government and regulatory approval

Non-Prescription Skincare Products

There are numerous categories of non-prescription skincare products in the U.S., Canada and in other regions around the world and the classification and regulatory requirements vary by territory. Some categories of products require a license and others can be sold without prior authorization. There are risks that the regulatory authorities may not agree with the Company's classification of a given product nor allow it to be marketed based on the regulatory status, product labeling or marketing claims. Regulatory authorities also have the ability to inspect the related manufacturing facilities and can restrict product supply if the facility is deemed to not comply with relevant regulations. Any delay or failure to obtain regulatory approvals or to ensure compliance with relevant regulations for marketed products could adversely affect the Company's business, financial condition and operational results. Non-prescription skincare companies may also be subject to additional regulations covering occupational safety, manufacturing and laboratory practices, environmental protection and hazardous substance control. They may also be subject to existing and future local, provincial, state, federal and foreign regulation.

United States

Cosmetic products (most non-prescription skincare products) and ingredients typically do not require FDA approval before they are marketed, but the FDA monitors the safety and marketing claims of marketed cosmetic products. The FDA can inspect manufacturing facilities to determine if proper controls and practices are being followed and they also work with U.S. Customs and Border Protection to examine imported cosmetics. If the FDA believes that a cosmetic product may not comply with the regulations, they can ask a federal court to issue an injunction, request that U.S. marshals seize the products, initiate criminal action, refuse entry of an imported cosmetic, or request that a company recall a product. Failure to comply with regulatory requirements could have a material adverse effect on the Company's business, financial condition and operational results.

Canada

All cosmetics sold in Canada must contain appropriate ingredients, be safe to use, and must not pose any untoward health risk. They must also meet the requirements of the Food and Drugs Act and the Cosmetic Regulations which require that cosmetics sold in Canada be manufactured, prepared, preserved, packed and stored under sanitary conditions. It is the manufacturer's responsibility to ensure that the products meet the requirements for cosmetics under the Food and Drugs Act and the Cosmetic Regulations. The manufacturer and importer must notify Health Canada that it is selling the product and provide a list of the product's ingredients.

Health Canada assesses all natural health products NHPs before allowing them to be sold in Canada. They also check that NHPs are properly manufactured (without contamination or incorrect ingredients) and perform post-market monitoring to make sure that NHP Regulations are being followed. If the product is found to be unacceptable for sale in Canada, Health Canada will take appropriate compliance and enforcement actions as deemed appropriate and the product may be referred to the Health Products and Food Branch (HPFB) Inspectorate. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions including product seizures, injunction actions and criminal prosecutions.

Additional Regulatory Considerations

Additional local, provincial, state, federal and foreign regulations may apply in various territories around the world. Any delays in obtaining, or failure to obtain regulatory approvals or to maintain proper compliance with relevant regulations in Canada, the U.S., the E.U. or other foreign countries, may significantly delay the development and commercialization of the Company's products and the receipt of revenues from the sale of its products.

Prescription Drug Products

The research, testing, manufacturing, packaging, labeling, approval, storage, selling, marketing and distribution of prescription drug products are subject to extensive regulation in the U.S. by the FDA, in Canada by the TPD and by similar regulatory authorities in the E.U. and elsewhere. Despite the time and expense exerted by the Company, failure can occur at any stage. The drug development process is time-consuming, may involve significant delays despite the Company's best efforts and can require substantial cash resources. Even after initial approval has been obtained, further research, including post-marketing studies and surveillance programs may be required. Moreover, regulations are subject to change and the Company cannot predict its ability to meet new or changing regulations. There is also a risk that the Company's products may be subject to recalls if there are product manufacturing or quality issues or be withdrawn from the market due to non-compliance with regulatory requirements.

There can be no assurance that the Company's products will prove to be safe and effective in clinical trials or receive the requisite regulatory approval in any market. Any delay or failure to obtain regulatory approvals could adversely affect the Company's business, financial condition and operational results. Pharmaceutical companies are also subject to additional regulations covering occupational safety, manufacturing and laboratory practices, environmental protection and hazardous substance control. They may also be subject to existing and future local, provincial, state, federal and foreign regulation. Failure to obtain necessary regulatory approvals, the restriction, suspension or revocation of existing approvals or any other failure to comply with regulatory requirements, could have a material adverse effect on the Company's business, financial condition and operational results.

United States

The FDA has substantial discretion in the drug approval process. The FDA may delay, limit or deny approval of a drug candidate for many reasons. The process of receiving FDA approval has become more difficult with the requirement to submit a Risk Evaluation and Mitigation Strategy (REMS) for certain drug products. Even once drug candidates are approved, these approvals may be withdrawn if compliance with regulatory standards is not maintained. In addition, the FDA has the authority to regulate the claims the Company's partners make in marketing its prescription drug products to ensure that such claims are true, not misleading, supported by scientific evidence and consistent with the product's approved labelling. Failure to comply with applicable requirements can result in fines, suspensions or withdrawal of approvals, product seizures and injunctions against the manufacture, holding, distribution, marketing and sale of a product, and both civil and criminal sanctions.

Canada

The TPD may deny issuance of a Notice of Compliance (NOC) for a New Drug Submission (NDS) if applicable regulatory criteria are not satisfied or they may require additional testing. Product approvals may be withdrawn if compliance with regulatory standards is not maintained. The TPD may require further testing and surveillance programs to monitor a pharmaceutical product which has been commercialized. Non-compliance with applicable requirements can result

in fines and other judicially imposed sanctions including product seizures, injunction actions and criminal prosecutions.

Additional Regulatory Considerations

There is no assurance that problems will not arise that could delay or prevent the commercialization of the Company's products currently under development or that the TPD, FDA or other foreign regulatory agencies will be satisfied with the information submitted by the Company, including results of clinical trials, to approve the marketing of such products. In addition to the regulatory approval process, pharmaceutical companies are subject to regulations under local, provincial, state and federal law, including requirements regarding occupational safety, manufacturing and laboratory practices, environmental protection and hazardous substance control and may be subject to other present and future local, provincial, state, federal and foreign regulations. The Company cannot predict the time required for regulatory approval or the extent of clinical testing and documentation that may be required by regulatory authorities. Any delays in obtaining, or failure to obtain regulatory approvals in Canada, the U.S., the E.U. or other foreign countries, would significantly delay the development of the Company's products and the receipt of revenues from the sale of its products.

Risk related to clinical trials

The Company and its drug development partners must demonstrate, through preclinical studies and clinical trials, that the product being developed is safe and efficacious before obtaining regulatory approval for the commercial sale of such product. The results of preclinical studies and previous clinical trials are not necessarily predictive of future results and the Company's current product candidates may not have favourable results in later testing or trials. Preclinical tests and Phase 1 and Phase 2 clinical trials are primarily designed to test safety, to study PK and pharmacodynamics and to understand the side effects of products at various doses and schedules. Success in preclinical or animal studies and early clinical trials does not ensure that later large-scale efficacy trials will be successful and such success is not necessarily predictive of final results. Favourable results in early trials may not be repeated in later trials and positive interim results do not ensure success in final results. Even after the completion of Phase 3 clinical trials, the FDA, TPD, EMA or other regulatory authorities may disagree with the clinical trial design and interpretation of data and may require additional clinical trials to demonstrate the efficacy of product candidates.

A number of companies in the biotechnology and pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials and preclinical studies. In many cases where clinical results were not favourable, were perceived negatively or otherwise did not meet expectations, the share prices of these companies declined significantly. Failure to complete clinical trials successfully and to obtain successful results on a timely basis could have an adverse effect on the Company's future business and the price of its common shares.

The Company's future prospects could also suffer if it, or any of its drug development partners, fails to develop and maintain sufficient levels of patient enrolment in its current or future clinical trials. Delays in planned patient enrolment may result in increased costs, delays or termination of clinical trials, which could materially harm the Company's future prospects.

Rapid technological change

Drug development technologies are subject to rapid and significant technological change. The Company expects its competitors will develop new technologies and products that may render

the Company's products and drug delivery technologies uncompetitive or obsolete. The products and drug delivery technologies of its competitors may be more effective than the products and drug delivery technologies developed by the Company. As a result, the Company's products may become obsolete before it recovers expenses incurred in connection with their development or realizes revenues from any commercialized products.

Reliance on third parties to conduct clinical and preclinical studies

The Company and its drug development partners rely on third parties such as CROs, medical institutions and clinical investigators to enroll qualified patients, conduct, supervise and monitor its clinical trials, conduct preclinical studies and complete CMC work. The reliance on these third parties for clinical development activities reduces its control over these activities. The reliance on these third parties; however, does not relieve the Company or its drug development partners of their regulatory responsibilities, including ensuring that its clinical trials are conducted in accordance with Good Clinical Practices (GCPs) and that its preclinical studies are conducted in accordance with Good Laboratory Practices (GLPs). Furthermore, these third parties may have relationships with other entities, some of which may be competitors. In addition, they may not complete activities on schedule or may not conduct preclinical studies or clinical trials in accordance with regulatory requirements or the Company's trial design. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Company's ability to obtain regulatory approvals for product candidates may be delayed or prevented.

Hazardous materials and environmental

The Company's products involve the use of potentially hazardous materials, and as a result, it is exposed to potential liability claims and costs associated with complying with laws regulating hazardous waste. R&D and manufacturing activities involve the use of hazardous materials, including chemicals, and are subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and waste products. However, accidental injury or contamination from these materials may occur. In the event of an accident, the Company could be held liable for any damages, which could exceed its available financial resources. In addition, the Company may be required to incur significant costs to comply with environmental laws and regulations in the future.

Impact of natural disasters or other events that disrupt our business operations

The INTEGA manufacturing facility is located in Laval, Québec, where natural disasters or similar events, like blizzards, fires or explosions or large-scale accidents or power outages, could severely disrupt our operations and have a material adverse effect on our business, results of operations, financial condition and prospects. If a disaster, power outage or other event occurred that prevented us from using all or a significant portion this facility, that damaged critical infrastructure or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period-of-time.

Security and cyber security breaches

The Company has implemented security protocols and systems with the intent of maintaining the physical and electronic security of its operations and protecting its confidential information and information related to identifiable individuals against unauthorized access. Despite the implementation of security measures, the Company's information systems and those of our contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures.

Unauthorized physical access to one of the Company's facilities or electronic access to its information systems could result in, among other things, unfavorable publicity, litigation by affected parties, damage to sources of competitive advantage, disruptions to its operations, loss of proprietary information, customer information and customers, financial obligations for damages related to the theft or misuse of such information and costs to remediate such security vulnerabilities, any of which could have a substantial impact on the Company's results of operations, financial condition or cash flows.

Economic environment

The Company has no control over changes in inflation and interest rates, foreign currency exchange rates or other economic factors affecting its businesses or the possibility of political unrest, legal and regulatory changes in jurisdictions in which the Company operates. These factors could negatively affect the Company's future results of operations in those markets.

Economic conditions may cause the Company's suppliers to increase their prices, reduce their output or change their terms of sale, or cause the Company's customers to reduce their purchases or change their terms of purchase. If the Company's customers' or suppliers' operating and financial performance deteriorates or if they are unable to make scheduled payments or obtain credit, its customers may not be able to pay or may delay payment of accounts receivable owed and its suppliers may restrict credit or impose different payment terms. Any inability of customers to pay the Company for its products or any demands by suppliers for different payment terms, may adversely affect its earnings and cash flow.

Quarterly fluctuations

The Company's quarterly and annual operating results are likely to fluctuate in the future. These fluctuations could cause the price of Crescita's common shares to decline. The nature of Crescita's business involves variable factors, such as the timing of launch and market acceptance of Crescita's products, the timing and costs associated with the research, development and regulatory submissions of our products in development, the costs of maintaining manufacturing facilities operating below capacity and the costs associated with public company and other regulatory compliance. As a result, in some future quarters or years, Crescita's clinical, financial or operating results may not meet the expectations of securities analysts and investors which could result in a decline in the price of the Company's common shares.

Personnel

The Company depends upon certain key members of its sales, marketing, manufacturing, scientific and management teams. The loss of any of these individuals could have a material adverse effect on the Company. The Company does not maintain key-man insurance on any employee.

The Company's success depends, in large part, on its ability to continue to attract and retain qualified sales, marketing, manufacturing, scientific and management teams. The Company faces intense competition for such personnel. It may not be able to attract and retain qualified sales, marketing, manufacturing, scientific and management personnel in the future. Also, it must provide training for its employee base due to the highly specialized nature of its products.

Further, the Company expects that its growth and potential expansion into specific areas and activities requiring new or additional expertise will place additional requirements on management, operational and financial resources. The failure to attract and retain such personnel,

or to develop such expertise, could materially adversely affect prospects for its success. In addition, to attract qualified personnel, the Company may be required to establish offices in different locations. Failure of personnel in different locations to work effectively together could materially adversely affect the Company's success.

Given these potential challenges, current personnel may be unable to adapt or may not have the appropriate skills and the Company may fail to assimilate and train new employees. Highly skilled employees with the education and training required are in high demand. Once trained, the Company's employees may be hired by its competitors.

Litigation and regulation

From time-to-time the Company is threatened with, or is named as a defendant in various legal proceedings, including lawsuits based upon product liability, patent infringement, personal injury, breach of contract and lost profits or other consequential damage claims.

A significant judgment against the Company or the imposition of a significant fine or penalty or a finding that the Company has failed to comply with laws or regulations or a failure to settle any dispute on satisfactory terms, could have a significant adverse impact on the Company's ability to continue operations. Additionally, lawsuits and investigations can be expensive to defend, whether or not the lawsuit or investigation has merit, and the defense of these actions may divert the attention of the Company's management and other resources that would otherwise be engaged in running the Company's business.

Losses due to foreign currency fluctuations

The Company currently receives a minimal amount of revenue from currencies other than Canadian dollars. Fluctuations in the exchange rate of the Canadian dollar relative to other currencies could result in the Company realizing a lower profit margin on sales of its product candidates than anticipated at the time of entering into such commercial agreements. Adverse movements in exchange rates could have a material adverse effect on the Company's financial condition and results of operations.

International operations

The Company does business outside of Canada, including the U.S., Europe and Asia, in order to research, develop, market, distribute or manufacture certain of its products and potential products. The Company may expand such operations further in the future. Participation in international markets requires resources and management's attention and subjects the Company to business risks, including the following:

- different regulatory requirements for approval of its product candidates;
- dependence on local distributors;
- longer payment cycles and problems in collecting accounts receivable;
- adverse changes in trade and tax regulations;
- absence or substantial lack of legal protection for intellectual property rights;
- difficulty in managing widespread operations;

- political and economic instability;
- increased costs and complexities associated with financial reporting; and
- currency risks.

The occurrence of any of these or other factors may cause the Company's international operations to be unsuccessful, could lower the prices at which it can sell its products or otherwise have an adverse effect on its operating results.

Taxes

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

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

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

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

Compliance with laws and regulations affecting public companies

Any future changes to the laws and regulations affecting public companies, may cause the Company to incur increased costs as it evaluates the implications of new rules and implements any new requirements. Delays or a failure to comply with the new laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits.

Any new laws and regulations may make it more expensive for the Company to provide indemnities to the Company's officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. Accordingly, the Company may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for the Company to attract and retain qualified persons to serve on its Board of Directors

or as executive officers. The Company may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what the Company currently has planned. The Company is continuously evaluating and monitoring developments with respect to these laws, rules and regulations and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

The Company will be required annually to review and report on the effectiveness of its internal control over financial reporting and disclosure controls and procedures in accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators. The results of this review will be reported in the Company's Management's Discussion and Analysis of Results of Operations and Financial Condition for fiscal 2016. The Company's Chief Executive Officer and Chief Financial Officer are required to report on the effectiveness of the Company's internal control over financial reporting.

Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within the Company's internal controls are identified. Material weaknesses represent deficiencies existing in the Company's internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on the quarterly or annual financial statements of the Company. In addition, management cannot provide assurance that the remedial actions being taken by the Company to address any material weaknesses identified will be successful, nor can management provide assurance that no further material weaknesses will be identified within its internal controls over financial reporting in future years.

If the Company fails to maintain effective internal controls over its financial reporting, there is the possibility of errors or omissions occurring or misrepresentations in the Company's disclosures which could have a material adverse effect on the Company's business, its financial statements and the value of the Company's common shares.

Public company requirements may strain resources

As a public company, the Company is subject to the securities laws of the jurisdictions in which it is a reporting issuer and the listing requirements of the TSX. The ever increasing obligations of operating as a public company will require significant expenditures and will place additional demands on management as the Company complies with the reporting requirements of a public company. The Company may need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting and regulatory knowledge.

In addition, actions that may be taken by significant stockholders may divert the time and attention of the Company's Board of Directors and management from its business operations. Campaigns by significant investors to effect changes at publicly traded companies have increased in recent years. If a proxy contest were to be pursued by any of the Company's stockholders, it could result in substantial expense to the Company and consume significant attention of management and the Board of Directors. In addition, there can be no assurance that any stockholder will not pursue actions to effect changes in the management and strategic direction of the Company, including through the solicitation of proxies from the Company's stockholders.

Management of growth

The Company's future growth, if any, may cause a significant strain on management, operational, financial and other resources. The ability to effectively manage growth will require the

Company to improve and/or expand its scientific, operational, financial and management information systems and to train, manage and motivate its employees. These demands may require the addition of new management personnel and the development of additional expertise by management. Any increase in resources devoted to research, product and business development without a corresponding increase in scientific, operational, financial and management information systems could have a material adverse effect on performance. The failure of the Company's management team to effectively manage growth could have a material adverse effect on the Company's business, financial condition and results of operations.

Volatility of share price

Market prices for securities, including those of the Company, have been historically volatile and subject to substantial fluctuations. The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning the Company or its competitors, including the results of testing, technological innovations, new commercial products, marketing arrangements, government regulations, developments concerning regulatory actions affecting the Company's products and its competitors' products in any jurisdiction, developments concerning proprietary rights, litigation, additions or departures of key personnel, cash flow, public concerns about the safety of the Company's products and economic conditions and political factors in the U.S., the E.U., Canada or other regions may have a significant impact on the market price of the common shares. In addition, there can be no assurance that the common shares will continue to be listed on the TSX.

The market price of the Company's common shares could fluctuate significantly for many other reasons, including for reasons unrelated to our specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. In addition, when the market price of a company's shares drops significantly, shareholders may institute securities class action lawsuits against the company. A lawsuit against the Company could result in substantial costs and could divert the time and attention of the Company's management and other resources.

Limited trading history for common shares

The common shares of Crescita were listed and posted for trading on the TSX commencing on March 7, 2016 and accordingly, have been publicly traded for a limited period-of-time. Due in part to the relatively recent listing of the common shares on a public market and Crescita's limited operating history, the market price for the common shares may be volatile and may be significantly affected by such factors as quarter-to-quarter variations in the Company's results of operations or predictions, announcements, changes in general market conditions, adverse publicity regarding the Company or its industry in general, regulatory actions, changes in financial estimates by securities analysts and other factors. Crescita cannot predict at what price the common shares will trade, and there can be no assurance that an active trading market will be sustained in the common shares or that the market price of Crescita's common shares will not decline.

Dilution from further equity financing and declining share price

If the Company raises additional funding or completes an acquisition or merger by issuing additional equity securities, such issuance may substantially dilute the interests of shareholders of the Company and reduce the value of their investment. The market price of the Company's common shares could decline as a result of issuances of new shares or sales by existing

shareholders of common shares in the market or the perception that such sales could occur. Sales by shareholders might also make it more difficult for the Company itself to sell equity securities at a time and price that it deems appropriate.

Issue of Preference Shares

The Company's Board of Directors has the authority to issue undesignated preference shares in one or more series and, before issue, to fix the designation of, and the rights and restrictions attached to, the preference shares of each series, without consent from holders of common shares. Preference shares could be issued with voting, dividend, liquidation, dissolution, winding-up and other rights superior to those of the holders of common shares.

Absence of dividends

The Company has not paid dividends on its common shares and does not anticipate declaring any dividends in the near future. As a result, the return on an investment in the Company's common shares will depend upon any future appreciation in value. There is no guarantee that the common shares will appreciate in value or even maintain the price at which they were purchased.

Securities industry analyst research reports

Currently, to the Company's knowledge, there are no analysts that publish research reports about the Company. The trading market for the Company's common stock is influenced by the research and reports that industry or securities analysts publish about the Company or any of its partners. If covered, a decision by an analyst to cease coverage of the Company or failure to regularly publish reports on the Company, could cause the Company to lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline. Moreover, if an analyst who covers the Company or any of its partners downgrades its, or its partner's stock or if operating results do not meet analysts' expectations, the stock price could decline.

The Shareholders' Rights Plan may discourage, delay or prevent a merger or other change of control of Crescita

The Company has adopted a shareholder rights plan (2016 Rights Plan) which among other things requires anyone who seeks to acquire 20% or more of the Company's outstanding common shares to make a bid complying with specific provisions contained in the plan. Failure of the acquirer to comply with the provisions of the 2016 Rights Plan can trigger rights held by existing shareholders that may make the acquisition less attractive to the acquirer even if holders of Crescita common shares consider the acquisition favourable. See "Description of Capital Structure – Description of the Common Shares". The presence of this plan could prevent or delay a change of control and may deprive or limit strategic opportunities for shareholders to sell their shares.

Historical financial information

The historical financial information of Crescita up to and including March 1, 2016 is presented on a carve-out basis as if Crescita operated as a stand-alone entity for the periods presented. Due to the fact that Crescita's operations were combined with those of Nuvo Research, the financial information does not necessarily reflect what Crescita's results of operations, financial position or cash flows would have been had Crescita been an independent, combined entity during the periods presented and are not necessarily indicative of what Crescita's results of operations, financial position, cash flows or costs and expenses will be in the future.

Inability to achieve expected savings from restructurings

The Company may, from time-to-time, seek to restructure its operations, which may require it to incur restructuring charges and it may not be able to achieve the level of benefits that it expects to realize from any restructuring activities or it may not be able to realize these benefits within the expected time frames. Furthermore, upon the closure of any facilities in connection with restructuring efforts, the Company may not be able to divest such facilities at a fair price or in a timely manner. Changes in the amount, timing and nature of charges related to restructurings and the failure to complete or a substantial delay in completing any restructuring plan could have a material adverse effect on the Company's business.

DIVIDENDS

The declaration of dividends on Crescita common shares is at the sole discretion of the Crescita Board of Directors. It is the Board of Directors' policy to not pay dividends to preserve cash and it does not expect to pay dividends on its common shares in the near future. As a result, the return on an investment in Crescita's common shares will depend upon any future appreciation in value. There is no guarantee that Crescita's common shares will appreciate in value or even maintain the price at which they currently trade.

The Board of Directors is under no obligation to declare dividends and any determination by the Board of Directors to declare a dividend will depend on, among other things, the financial condition of Crescita and the need to finance Crescita's business activities. Restrictions in credit or financing agreements entered into by Crescita or the provisions of applicable law may preclude the payment of dividends by Crescita in certain circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares, issuable in series of which 13,935,633 common shares and no preferred shares were outstanding as of December 31, 2016.

The following is a description of the material characteristics of the Company's common shares and preferred shares including descriptions of other instruments that are convertible or exercisable into common shares.

Common Shares

Description of the Common Shares

The holders of common shares are entitled to receive notice of any meeting of the Company's shareholders and to attend and vote thereat, excepting those meetings at which only those holding another class of shares or a particular series are entitled to vote. Each common share entitles its holder to one vote. Subject to the rights of those holding preferred shares, the holders of common shares are entitled to receive on a pro rata basis such dividends as the Board of Directors of the Company may declare out of funds legally available. In the event of the dissolution, liquidation, winding-up or other distribution of the Company's assets, such holders are entitled to receive on a pro rata basis, all the Company's remaining assets after payment of all liabilities, subject to the rights of the holders of the preferred shares. The common shares carry no pre-emptive or conversion rights. The preceding was a summary of the principal characteristics of the common shares. The full terms of the common shares can be found in the articles of

arrangement of 2487001 Ontario Limited (a predecessor of Crescita) dated March 1, 2016, a copy of which are available under Crescita's profile on SEDAR at www.sedar.com.

Shareholder Rights Plan

Crescita's Rights Plan took effect on March 1, 2016 as part of the Reorganization.

Purpose

The purpose of the Rights Plan is to provide some protection to Crescita Shareholders from take-over strategies, including the acquisition of control of Crescita by a bidder in a transaction or series of transactions, that do not treat all shareholders equally or fairly or afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Rights Plan is not intended to prevent all unsolicited take-over bids for Crescita and will not do so, but rather, is designed to encourage potential bidders to make permitted bids or negotiate take-over proposals with the Crescita Board which they consider are in the best interest of Crescita and to protect Crescita Shareholders against being coerced into selling their Crescita Common Shares at less than fair value.

Shareholder rights plans continue to be adopted by a large number of publicly held corporations in Canada and the United States. The terms of the Rights Plan are generally similar to those recently adopted by other major Canadian companies.

Principal Terms

The following is a summary of the principal terms of the Rights Plan, which is qualified in its entirety by reference to the text of the Rights Agreement, a copy of which is available under Crescita's profile on SEDAR at www.sedar.com. Certain capitalized terms used in this section and not otherwise defined have the meanings given to such terms in the Rights Agreement.

Rights Prior to Separation Time

Immediately following completion of the Reorganization (the Record Time), one right (each, a Right) was issued and attached to each Crescita common share outstanding. One Right will be issued and attached to each Crescita common share subsequently issued. Rights cannot be exercised prior to the Separation Time (as defined below). Until the Separation Time, the Rights will be evidenced only by the register maintained by the Rights Agent and will be transferred with, and only with, the associated Crescita common shares. Until the Separation Time, or the earlier termination or expiration of the Rights, each new share certificate issued after the Record Time, upon transfer of existing Crescita common shares or the issuance of additional Crescita common shares, will display a legend incorporating the terms of the Rights Plan by reference.

Separation Time

The Rights will separate and trade apart from Crescita common shares after the Separation Time, at which time separate certificates evidencing the Rights will be mailed to the holders of record of Crescita common shares. "Separation Time" means the close of business on the 10th business day after the earlier of: (a) the first date of a public announcement of facts indicating that a person has become an Acquiring Person; (b) the commencement of, or first public announcement of the intent of any person, other than Crescita or any corporation controlled by Crescita, to commence a Take-over Bid (as defined below); or (c) the date upon which a Permitted Bid (as defined below) ceases to be a Permitted Bid or, in any circumstances, such later date as may be

determined by the Board of Directors of Crescita, acting in good faith. After the Separation Time and prior to the occurrence of a Flip-in Event (as defined below), each Right entitles the holder to acquire one Crescita common share upon payment of an Exercise Price equal to five times the Market Price per Crescita common share determined as at the Separation Time.

Acquiring Person and Flip-in Event

An Acquiring Person is generally a person who beneficially acquires 20% or more of the outstanding voting shares of Crescita. The Rights Plan provides certain exceptions to that rule, including a person who acquires 20% or more of the outstanding Crescita common shares through a Permitted Bid, pursuant to certain other exempt acquisitions, or in its capacity as Investment Manager, Trust Company, Plan Trustee or Statutory Body, provided in these latter instances, that the person is not making or proposing to make a Take-over Bid. The term Acquiring Person does not include Crescita or any corporation controlled by Crescita. A "Flip-in Event" occurs when any person becomes an Acquiring Person, at which time each Right will convert into the right to purchase from Crescita, upon exercise, a number of Crescita common shares having an aggregate Market Price on the date of the Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price.

Permitted Bid

Neither a Flip-in Event nor the Separation Time would occur if a take-over bid is a Permitted Bid. A "Permitted Bid" is a Take-over Bid, made by a means of a Take-over Bid circular, which among other things:

A. is made to all holders of record of Crescita common shares as registered on the books of Crescita (other than the Offeror and the Offeror's affiliates, associates and persons acting jointly or in concert with any of them);

B. contains, and the take-up and payment for Crescita common shares tendered or deposited is subject to, an irrevocable and unqualified condition that no Crescita common shares will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 120 days following the date of the Take-over Bid;

C. contains irrevocable and unqualified provisions that all Crescita common shares may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Crescita common shares under the bid and that all Crescita common shares deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such date;

D. contains an irrevocable and unqualified condition that the number of Crescita common shares deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Crescita common shares under the bid must constitute more than 50% of the then outstanding Crescita common shares held by shareholders independent of the Offeror; and

E. contains an irrevocable and unqualified provision that, should the condition referred to in paragraph D above be met, the Take-over Bid will be extended on the same terms for a period of not less than 10 days from the date of first take-up or payment for common shares under the bid.

The Rights Plan also provides for a Competing Permitted Bid, which is a Take-over Bid made during another Permitted Bid that satisfies all of the requirements of a Permitted Bid other than the requirements of paragraph B above. The competing Permitted Bid may not expire earlier than the date of the Permitted Bid.

Take-over Bid

A Take-over Bid is defined in the Rights Plan as an offer to acquire Crescita common shares or securities convertible into Crescita common shares, where Crescita common shares subject to the offer to acquire, together with Crescita common shares into which the securities subject to the offer to acquire are convertible, and the Offeror's securities, constitute in the aggregate 20% or more of the outstanding Crescita common shares at the date of the offer.

Redemption and Waiver

At any time prior to the occurrence of a Flip-in Event, the Crescita Board may, at its option, redeem all, but not part, of the outstanding Rights at a redemption price of $0.00001 per Right, subject to appropriate adjustment in certain events.

The Crescita Board may, at its option, after the occurrence of a Flip-in Event, waive the application of the Flip-in Event provisions to a transaction that would otherwise be subject to those provisions.

Amendments

Crescita may, from time-to-time, supplement or amend the Rights Plan in order to cure any ambiguity or to correct or supplement any provisions contained in the Rights Plan which may be inconsistent with any other provision thereof or otherwise defective. Crescita may also amend the Rights Plan without the approval of any holders of Rights or Crescita common shares to make any changes which the Crescita Board may deem necessary or desirable and as shall not materially adversely affect the interests of the holders of Rights generally, provided that no such supplement or amendment shall be made to the provisions relating to the Rights Agent except with the concurrence of the Rights Agent.

Expiry of Rights

All Rights will expire unless continuance of the Rights Plan is approved by a majority vote of Independent Shareholders at Crescita's annual meeting of shareholders to be held in 2019 and at every third annual meeting thereafter.

Preferred Shares

Description of the Preferred Shares

Preferred shares may be issued from time-to-time in one or more series, the number, designation, rights, privileges, restrictions and conditions of which are to be determined by the Board of Directors. The preferred shares are entitled to priority over the common shares with respect to the payment of dividends and distributions in the event of the dissolution, liquidation or winding-up of the Company. Except as required by law, the holders of first preferred shares as a class, and holders of second preferred shares as a class, are not entitled to receive notice of, attend or vote at any meeting of Crescita's shareholders. The preceding was a summary of the principal characteristics of the preferred shares. A full description of the preferred shares can be

found in the articles of arrangement of 2487001 Ontario Limited (a predecessor of Crescita) dated March 1, 2016, a copy of which are available on SEDAR at www.sedar.com.

MARKET FOR SECURITIES

The common shares are listed and posted for trading on the TSX under the symbol CTX and commenced trading on March 7, 2016.

The following table provides information on the monthly price range and trading volume for the common shares on the TSX during the year ended December 31, 2016:

Month	High	Low	Volume
	$	$	(000s)
March 2016	1.60	1.37	980
April 2016	1.68	1.43	973
May 2016	1.67	1.53	343
June 2016	1.68	1.60	765
July 2016	1.61	1.43	305
August 2016	1.54	1.34	278
September 2016	1.90	1.61	621
October 2016	1.80	1.53	229
November 2016	1.51	1.36	268
December 2016	1.35	1.16	242

DIRECTORS AND OFFICERS

The following table sets forth the name, municipality of residence, position with the Company and principal occupation of each director and executive officer of the Company. Directors of the Company hold office until the next annual shareholders' meeting or until successors are duly elected or appointed.

Name and Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned
Daniel N. Chicoine[6] Ontario, Canada	Chairman of the Board of the Company and Interim Chief Executive Officer	March 1, 2016	235,784
David A. Copeland[2][4][7][8] Ontario, Canada	Private Business Consultant	March 1, 2016	57,692
Anthony E. Dobranowski [1][3][4] Ontario, Canada	Private Business Consultant	March 1, 2016	47,085
John C. London [8] Ontario, Canada	Chief Executive Officer of Nuvo Pharmaceuticals Inc.	March 1, 2016	155,786
Samira Sakhia [5] Quebec, Canada	President, Knight Therapeutics Inc.	September 29, 2016	13,778
Thomas Schlader [2] Quebec, Canada	Private Business Consultant	September 1, 2016	20,239
Katina K. Loucaides [9] Ontario, Canada	Vice President, Secretary and General Counsel of Nuvo Pharmaceuticals Inc.	N/A	17,736
Muneerah Kanji [10] Ontario, Canada	Interim Chief Financial Officer	N/A	0

Notes:

(1) Lead Director
(2) Member of the Corporate Governance, Compensation & Nominating Committee.
(3) Chairman of the Corporate Governance, Compensation & Nominating Committee.
(4) Member of the Audit Committee.
(5) Chairman of the Audit Committee.
(6) Dan Chicoine was a director of NRI Industries Inc. (NRI), a company primarily involved in the manufacture of rubber and plastic components for automotive and industrial applications, until August 23, 2006, when he resigned. This company filed for protection pursuant to the Companies' Creditors Arrangement Act (CCAA) on September 5, 2006. On April 27, 2007, subsequent to the sale of substantially all of the assets of NRI, the CCAA proceedings were terminated and NRI filed its assignment into bankruptcy and in July 2008 the government cancelled NRI for cause.
(7) David Copeland was Chairman of the Board of Triton Electronik, a group of Canadian companies primarily involved in electronic contract design and manufacturing service, until January 2009, when he resigned. This group of companies filed for protection pursuant to the Companies' Creditors Arrangement Act on January 28, 2009.
(8) John London and David Copeland were directors of MTB Industries Inc. (MTB) until May 1, 2009 when they both resigned. MTB filed for court appointed receivership on May 5, 2009.
(9) On January 9, 2017, Katina Loucaides ceased to be an employee of Crescita and became an employee of Nuvo.
(10) Muneerah Kanji was appointed to the position of Interim CFO on February 9, 2017.

Each of the directors of the Company has been engaged for more than five years in his present principal occupation or in other capacities with the corporation or organization (or predecessor thereof) in which he currently holds his principal occupation, with the exception of Mr. Daniel Chicoine who from 2009 to 2016 was the Chairman and co-Chief Executive Officer of Nuvo Research, Ms. Samira Sakhia who was the Chief Financial Officer of Paladin Labs Inc. until 2015 and since 2016 is the President of Knight Therapeutics Inc. and Mr. Thomas Schlader who was the President of Valeant Canada until 2012, when he became a Private Business Consultant.

As at December 31, 2016, the directors and executive officers of Crescita, as a group, beneficially owned, directly or indirectly, or exercised control or direction of 548,100 or 3.9% of the Company's common shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

See "Narrative Description of the Business – Litigation".

TRANSFER AGENT

The transfer agent and registrar for the common shares is CST Trust Company at its office in Toronto, Ontario.

AUDIT COMMITTEE

Charter of the Audit Committee

The Audit Committee of the Company's Board of Directors has developed its Charter, the text of which is set forth in Appendix I to this AIF.

Composition of the Audit Committee

The Audit Committee is comprised of three members, David A. Copeland, Anthony E. Dobranowski and Samira Sakhia. Each member is independent and financially literate as defined in Multilateral Instrument 52-110 - Audit Committees.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience relevant to the performance of Audit Committee responsibilities are set forth below.

Samira Sakhia

Ms. Sakhia has been a Crescita director and chair of the Audit Committee since September 2016. Ms. Sakhia is currently the President and Director of Knight Therapeutics Inc. Prior to joining Knight, Ms. Sakhia served as the Chief Financial Officer at Paladin Labs Inc. (acquired by Endo International plc February 2014), a specialty pharmaceutical company from 2001 to 2015. At Paladin, Ms. Sakhia was responsible for the finance, operations, human resources and investor relations functions. During her employment with Paladin, Ms. Sakhia was instrumental in executing in-licensing and acquisition transactions of Canadian and international pharmaceutical products and businesses. In addition, Ms. Sakhia led several M&A and strategic lending transactions as well as equity rounds on the TSX and completed the sale of Paladin to Endo International for over $3 billion. Prior to joining Paladin, Ms. Sakhia held various senior finance positions with Discreet Logic, a digital video effects and editing software tools maker acquired by AutoDesk in 1999. Ms.

Sakhia also serves on the board of directors and is Chair of Audit Committees for Antibe Therapeutics Inc. and Nuvo Pharmaceuticals Inc. as well as on the board of directors and Audit Committee of Profound Medical Corporation. Ms. Sakhia is a Chartered Professional Accountant and holds a Masters of Business Administration Degree and Bachelor of Commerce Degree from McGill University.

David A Copeland

Mr. Copeland has been a Crescita director and a member of the Audit Committee and the Corporate Governance, Compensation & Nominating Committee since March 2016. Mr. Copeland was the former President and Chief Operating Officer of Triam Automotive Inc., an automobile parts supplier. From 1984 to 1992, Mr. Copeland held a number of senior management positions at Magna International Inc. including Chief Financial Officer of Magna and Chief Executive Officer of the Cosma Group of Magna. Mr. Copeland has been an advisor, investor and director in a number of private early stage companies since 1998. His background includes a focus on business valuation and mergers and acquisitions. Mr. Copeland is Nuvo Pharma's Lead Director and a member of the Audit Committee since 2004. He was the chair of Nuvo Pharma's Audit Committee until February 2016. Mr. Copeland is a Chartered Professional Accountant and a Chartered Accountant and holds a Bachelor of Mathematics.

Anthony E. Dobranowski

Mr. Dobranowski is Crescita's Lead Director, the Chair of the Corporate Governance, Compensation & Nominating Committee and a member of the Audit Committee since March 2016. Mr. Dobranowski retired from Magna International Inc., a global automotive parts supplier in 2007. During his employment with Magna, Mr. Dobranowski was most recently a Vice President of Magna, and prior to that held various executive positions (Vice Chairman, President and CFO) at Tesma International Inc., a publicly traded Magna subsidiary. He was instrumental in the initial public offering of Tesma in 1995, and was involved in all aspects of Tesma's growth, with particular emphasis on financing, investor relations and M&A activity. Previous to that, Mr. Dobranowski held various senior management positions with other Magna companies. Mr. Dobranowski has been a Nuvo Pharma director and member of the Audit Committee and the Corporate Governance, Compensation & Nominating Committee since 2004. Mr. Dobranowski is a Chartered Professional Accountant and a Chartered Accountant and holds Bachelor of Science and Masters of Business Administration degrees from the University of Toronto.

Audit Fees

The following table outlines the fees paid to Ernst & Young LLP the Company's auditors for the year ended December 31, 2016.

Fees	Year ended December 31, 2016
Audit Fees [(1)]	195,000
Audit – Related Fees [(2)]	811,000
Tax Fees	23,000
All Other Fees	200,000
TOTAL	1,229,000

(1) The year ended December 31, 2016 includes accrued audit fees.
(2) The fee relates to the Reorganization, the INTEGA Acquisition and the BAR filing.

MATERIAL CONTRACTS

- The Securities Purchase Agreement dated September 1, 2016 among the Company, INTEGA, Gregory M. C. Orleski, Bloom Burton Healthcare Lending Trust, Bloom Burton Structured Lending Fund II LP, Knight and certain other sellers, providing for the acquisition of INTEGA. See “General Development of the Business – INTEGA Acquisition”.

- The Loan Agreement dated September 1, 2016 among INTEGA, as borrower, Knight, as the lender, and the Company, as the guarantor. See “General Development of the Business – INTEGA Acquisition”.

- The Guarantee dated September 1, 2016 between the Company and Knight. See “General Development of the Business – INTEGA Acquisition”.

- The Separation and Transition Agreement dated March 1, 2016 between between Nuvo Pharma (as successor to Nuvo Research) and the Company (as successor to 2487002 Ontario Limited and 2487001 Ontario Limited) providing for, among other things, the transfer of the drug development business to Crescita and certain arrangements governing the separation of the drug development business and the specialty pharmaceutical business. The drug development business was transferred to the Company on an “as-is”, “where-is” basis. The Separation Agreement provides for a full and complete mutual release and discharge of all liabilities existing or arising from all acts, events and conditions (including liabilities arising under contractual agreements or arrangements between or among such parties other than the Arrangement Agreement, the Separation Agreement and the Transitional Services Agreement) occurring or existing before March 1, 2016 between the Company or any of its subsidiaries, on the one hand, and Nuvo Pharma or any of its subsidiaries, on the other hand, except as expressly be set forth in the Separation Agreement. Under the Separation Agreement, the Company agreed to indemnify Nuvo Pharma and its affiliates from and against any liabilities associated with, among other things, the drug development business, whether relating to the period, or arising, prior to or after the Reorganization. The Separation Agreement contains a reciprocal indemnity under which Nuvo Pharma generally agrees to indemnify the Company and its affiliates from and against any liabilities relating to, among other things, the specialty pharmaceutical business. Nuvo Pharma and the Company also indemnify each other with respect to non-performance of their respective obligations under the Separation Agreement. In addition, each of the parties has agreed to cooperate with each other and use reasonable commercial efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Separation Agreement. Other matters governed by the Separation Agreement include responsibility for taxes, access to books and records, confidentiality, insurance and dispute resolution.

- The Transitional Services Agreement dated March 1, 2016 as amended between Nuvo Pharma and Crescita pursuant to which Nuvo Pharma and the Company have agreed to provide each other, on a transitional basis, certain services in order to facilitate the orderly transfer of the drug development business to the Company and the operation of Nuvo Pharma as an independent public company. The transitional services include, among other things, information technology transition, use of facilities, sharing of human resources, accounting services and general consulting services. The transitional services will be provided, at negotiated rates, for a specified period after the Reorganization (unless extended by Nuvo Pharma and the Company).

- The Rights Plan Agreement dated as of March 1, 2016 between the Company and CST Trust Company, described under "Description of Capital Structure – Description of the Common Shares – Shareholder Rights Plan".

- The Arrangement Agreement dated December 14, 2015 between Nuvo Research, 2487002 Ontario Limited and 2487001 Ontario Limited in respect of a Reorganization of Nuvo Research into two separate publicly-traded companies, Nuvo Pharma and the Company. The Arrangement Agreement provides for, among other things, the terms of the Arrangement, actions to be taken prior to and after the closing of the Arrangement and indemnities between the companies after the closing of the Arrangement. Pursuant to the Arrangement Agreement, each of the parties has agreed to use commercially reasonable efforts and to do all things reasonably required to complete the transactions contemplated in the Arrangement Agreement.

EXPERTS

The Company's auditor is Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, 222 Bay Street, Toronto, Ontario M5K 1J7. Ernst & Young LLP has confirmed that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountant of Ontario). Ernst & Young LLP provides tax, financial advisory and other non-audit services to the Company and its subsidiaries. The Company's Audit Committee has concluded that the provision of these non-audit services by Ernst & Young LLP is compatible with Ernst & Young LLP maintaining its independence.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found at www.sedar.com. Additional financial information is provided in the Company's annual Financial Statements and Notes to the Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2016.

Copies of the Company's annual Financial Statements and Notes to the annual Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2016, and this AIF may be obtained upon request from the Company's Investor Relations Department or on the Company's website: www.crescitatherapeutics.com.

GLOSSARY

Active Pharmaceutical Ingredient	An Active Pharmaceutical Ingredient (API) is any substance or mixture of substances intended to be used in the manufacture of a drug product. Such substances are intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment or prevention of disease or to affect the structure and function of the body.
Chemistry, Manufacturing and Controls	Chemistry, Manufacturing and Controls (CMC) constitutes that part of pharmaceutical development that deals with the nature of the drug substance (API) and drug product, the manner in which both are made, and the manner by which the manufacturing process is shown to be in control. CMC considerations include formulation development, manufacturing process and equipment, container-closure system (packaging), stability evaluation and shelf life (storage condition) and specifications for raw materials/components and the finished drug product.
Clinical Trials	The regulated process by which new drugs proceed after discovery through to acceptance for marketing to patients. The term most correctly refers to the period during which new compounds are tested in human subjects and encompasses the several phases as outlined under "Narrative Description of Business – Product Development Process and Regulatory Environment"
Contract Manufacturing Organization	A Contract Manufacturing Organization (CMO) manufactures products under contract for other companies.
Contract Research Organization	A Contract Research Organization (CRO) is a company that conducts research on behalf of a pharmaceutical or biotechnology company.
Drug Master File	A Drug Master File (DMF) is a submission to the FDA that may be used to provide confidential, detailed information about facilities, processes or articles employed in the manufacturing, processing, packaging, and storing of one or more human drugs. Neither law nor FDA regulations require the submission of a DMF. A DMF is submitted solely at the discretion of the holder.
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.
Efficacy	Capacity for producing a desired result or effect.
European Medicines Agency	The European Medicines Agency (EMA) regulates the research, development, manufacture and marketing of pharmaceutical products
Flexicaine	Flexicaine is a new topical anesthetic formulation containing lidocaine and tetracaine (7%/7%) that possesses improved application and removal properties along with extended patent protection (through 2031) as compared to Pliaglis. Currently the formulation is being pursued as a life-cycle extension for Pliaglis to allow for the introduction of an improved formulation with extended patent protection.
Good Clinical Practices and Good Laboratory Practices	Good Clinical Practices (GCP) and Good Laboratory Practices (GLP) are standards for the conduct of clinical trials (including laboratory studies) the data from which are expected to be submitted to a regulatory agency such as the FDA. In the case of GLP these practices are defined by regulation. GCP have arisen from general accepted clinical practices within the industry.
Good Manufacturing Practices	Good Manufacturing Practices (GMP), i.e. guidelines established by the governments of various countries, including Canada and the U.S., to be used as a standard in accordance with the World Health Organization's Certification Scheme on the quality of pharmaceutical products.
Investigational New Drug Application	An investigational New Drug application (IND) which must be filed and accepted by the FDA before human clinical trials may begin.
In vitro	A test that is performed in vitro is one that is done in glass or plastic vessels in the laboratory.

In vivo	In the living body or organism. A test performed on a living organism.
ISDIN	ISDIN's focus is to offer a complete range of innovative dermatology solutions to consumers with the highest quality standards and strong clinical evidence. ISDIN is well established in Europe, Latin America and Asia with more than 14 brand families and a leading consumer market position in skin categories like hydration, sun care, atopic dermatitis, baby skin, acne and women's health and sun damage repair.
Laboratoire Dr Renaud	The Laboratoire Dr Renaud skincare line joins science and aesthetics to develop and manufacture personalized solutions to address daily challenges – aging, acne, rosacea, pigmentation, dehydration & sensitivity.
Lidocaine	A common local anesthetic drug, when used topically, relieves pain by blocking signals at the nerve endings in skin and underlying tissues.
MiCal 1 and MiCal 2	In April 2014, Nuvo Research entered into a collaboration agreement with MiCal (a joint venture between Ferndale and a leading CRO) to develop two topical dermatology products based on the Company's patented MMPE technology. See "Narrative Description of Business – Prescription Drug Products"
Multiplexed molecular penetration enhancers	Multiplexed molecular penetration enhancers (MMPEs) are cocktails or combinations of MPEs that modify the permeability of the stratum corneum.
Molecular penetration enhancers	Molecular penetration enhancers (MPEs) are molecules that interact with the molecules comprising the stratum corneum so as to modify its permeability.
New Drug Application	New Drug Application (NDA), a document containing preclinical, clinical and chemistry, manufacturing and control data collected on a drug. An NDA is submitted to the FDA in order to obtain approval to market a prescription drug in the U.S.
Placebo	An inactive substance administered to a group of patients in a clinical study in order to form a control group against which the results obtained from patients receiving an active substance can be measured.
Preclinical studies	Those studies generally completed prior to human clinical trials.
Premiology	Premiology is a high-end premium anti-aging skincare line targeted to consumers 35 years of age and over. The formulations contain a high performing combination of HA4 Technology (4 types of hyaluronic acids) and unique active ingredients to deliver targeted actions and results. Crescita owns the worldwide sales and marketing rights for Premiology.
Pro-Derm	Pro-Derm is a line of high-quality cosmeceutical products sold to physicians operating through medispas and medicalized clinics. Pro-Derm products are used in conjunction with anti-aging medical procedures both pre and post-treatment, such as dermal filler injections for lines and wrinkles, facial peels, laser treatments, aesthetic surgery and also to prevent the negative effects of skin aging.
Risk Evaluation and Mitigation Strategy	A Risk Evaluation and Mitigation Strategy (REMS) is a strategy to manage a known or potential serious risk associated with a drug. A REMS may be required by the FDA and can include a Medication Guide, Patient Package Insert, a communication plan, an education plan, and even restricted marketing, to assure safe use of the drug.
Tetracaine	A local anesthetic drug that can be administered by local injection or by topical application to conjunctiva, mucosae and skin. When used topically, relieves pain by blocking signals at the nerve endings in skin and underlying tissues.
Therapeutic Products Directorate	The Therapeutic Products Directorate (TPD) is the division within Health Canada that reviews New Drug Submissions.
United States Food and Drug Administration	The U.S. Food and Drug Administration (FDA), an agency within the Department of Health and Human Services, the U.S. government's principal agency for protecting the health of all Americans, which is among other responsibilities charged with regulating pharmaceutical products in the U.S.

APPENDIX I – AUDIT COMMITTEE CHARTER

CRESCITA THERAPEUTICS INC.

AUDIT COMMITTEE CHARTER

PURPOSE

The purpose of the Audit Committee (the "**Committee**") is to assist the Board of Directors of Crescita Therapeutics Inc. (the "**Board**") in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures and the quality and integrity of the consolidated financial statements of Crescita Therapeutics Inc. (the "**Company**") and its affiliates. The Committee is also responsible for the audit process.

More specifically the purpose of the Committee is to satisfy itself that:

- The Company's annual financial statements are fairly presented in accordance with Canadian generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved.

- The information contained in the Company's quarterly financial statements, annual report and other financial publications, such as management's discussion and analysis, is complete and accurate in all material respects and to recommend to the Board whether these materials should be approved.

- The Company has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements.

- The external audit functions have been effectively carried out and that any matter which the independent auditors wish to bring to the attention of the Board has been addressed. The Committee will also recommend to the Board the re-appointment or appointment of auditors and their remuneration.

COMPOSITION AND TERMS OF OFFICE

- Following each annual meeting of the Company, the Board shall appoint three or more directors to serve on the Committee. Such appointees shall not be officers or employees of either the Company or its affiliates. Each member of the Committee must be "Independent" as defined by Multilateral Instrument 52-110 and "Unrelated" according to the rules of the Toronto Stock Exchange (the "**TSX**") from time to time, and free of any relationship that could, or could reasonably be perceived to, in the opinion of the Board, interfere with the exercise of independent judgment as a member of the Committee. All members of the Committee must be financially literate and be able to read and understand fundamental financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements including the Company's balance sheet, income statement and cash flow statement, or develop that capability within a reasonable time after appointment.

- The chair of Committee shall be appointed by the Board and shall not be an officer or employee of the Company or its affiliates. The chair of the Committee shall be a "financial expert" having an understanding of GAAP and financial statements, internal controls and procedures for financial reporting and, if possible, shall have served as the principal financial officer for another business entity.

- Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Company. Each member of the Committee shall hold office until the close of the next annual meeting of the Company or until the member resigns or is replaced, whichever first occurs.

- The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements of the Company and its affiliates. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member of the Committee or by the external auditors.

- If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

- A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present, and in case of an equality of votes the Chair of Committee shall have a second casting vote.

- The Committee may invite such directors, officers and employees of as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the business of the Committee, but without voting rights.

- The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.

- Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.

- The Committee shall choose as its secretary such person as it deems appropriate.

- The external auditors shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Committee, and shall appear before the Committee when requested to do so by the Committee.

DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board:

Financial Reporting Control

The Committee shall:

- Review reports from senior officers of the Company, outlining any significant changes in financial risks facing the Company;

- Review the management letter of the external auditors and responses to suggestions made;

- Annually review the Audit Committee Charter and the performance of the Committee itself;

- Review any new appointments to senior positions of the Company or its affiliates, with financial reporting responsibilities; and,

- Obtain assurance the external auditors regarding the overall control environment and the adequacy of accounting system controls.

Interim Financial Statements

The Committee shall:

- Review interim financial statements with officers of the Company prior to their release and recommend their approval to the Board. This will include a detailed review of quarterly and year-to-date results; and

- Review the Company's MD&A and press releases accompanying interim financial statements.

Annual Financial Statements and Other Financial Information

The Committee shall:

- Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;

- Obtain summaries of significant transactions and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration;

- Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of the Company;

- Review a summary provided by the Company's general counsel of the status of any material pending or threatened litigation, claims and assessments;

- Discuss the annual financial statements and the auditors' report thereon in detail with officers of the Company and its auditors;

- Review the annual report and other annual financial reporting documents including management's discussion and analysis and press release;

- Provide to the Board a recommendation as to whether the annual financial statements should be approved;

- Review insurance coverage including directors' and officers' liability coverage; and

- Review the Company's Annual Information Form ("**AIF**") and ensure compliance with FORM 52-110F1, audit committee information required in an AIF.

External Audit Terms of Reference, Reports, Planning and Appointment

The Committee shall:

- Ensure that the external auditor explicitly acknowledges that they are ultimately and directly accountable to the Board and the Committee as representatives of the shareholders;

- Review the audit plan with the external auditors;

- Specify its expectations of the external auditors, including the expected relationship between the external auditors and the Committee;

- Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters, including:

  a) the quality (not only acceptability) of Canadian GAAP accounting principles;

  b) the quality of internal controls;

  c) the appropriateness of financial statement disclosures; and

  d) any other matters the external auditors may wish to bring to the attention of the Committee.

- Recommend to the Board each year the retention or replacement of the external auditors. This process shall include establishment of criteria for and an ongoing assessment of the continued independence of the external auditor. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition; and

- Annually review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditors.

Other Matters

The Committee shall:

- Pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the issuer's external auditor.

- Establish procedures for the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

- Establish procedures for the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

ACCOUNTABILITY

- The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.

- The Committee is empowered to investigate any activity of the Company and all employees are to co- operate as requested by the Committee. The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

- The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, senior management, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of the Company.