Management's Discussion and Analysis (MD&A)

March 29, 2017 / The following information should be read in conjunction with the Crescita Therapeutics™ Inc. (Crescita or the Company) Consolidated Financial Statements for the year ended December 31, 2016 which were prepared in accordance with International Financial Reporting Standards (IFRS) and filed on SEDAR March 29, 2017. Additional information relating to the Company, including its Annual Information Form (AIF) and the Management Information Circular of Nuvo Research Inc. (Nuvo) dated December 31, 2015 (Nuvo Reorganization Circular), can be found on SEDAR at www.sedar.com.

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

Forward-looking Statements

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

Overview

Background

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

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

regarding the Reorganization and its effects, including a description of certain risks and uncertainties in respect of the Reorganization and the operations of Nuvo and Crescita as separate publicly traded companies, are included in the Management Information Circular of Nuvo dated December 31, 2015.

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

Growth Strategy

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

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

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

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

Acquisition of INTEGA

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

The Company paid for a portion of the purchase through the issuance of 2,402,314 Crescita common shares at a price of $1.66 per share (representing approximately 17.3% of Crescita's outstanding common shares post-issuance). The balance of the purchase price, other than conditional consideration, will be paid within 30 days following Crescita's next annual shareholders meeting, which is expected to be held in the second quarter of 2017. Subject to obtaining the approval of Crescita's shareholders at its next annual meeting, all or a portion of the balance of the purchase price will also be paid through the issuance of Crescita common shares. Conditional consideration up to an additional $2.0 million in milestones is payable if certain financial targets are achieved by INTEGA in 2016 and 2017. The conditions of the first milestone payment based on 2016 financial performance were not met and the first potential $1.0 million payment will not be paid. Crescita also issued 457,986 common share purchase warrants in exchange for INTEGA's outstanding warrants, each of which permits the holder thereof to acquire one Crescita common share at a price of $2.44 per share. On September 1, 2016, concurrent with the Company's acquisition of INTEGA, INTEGA entered into an amended and restated loan agreement (Knight Loan) with Knight Therapeutics Inc. (Knight) in which Crescita acts as

the guarantor, supported by a letter of credit in the amount of $8.6 million, providing an irrevocable right of payment to Knight in the event of default. On closing, the Company also repaid a bridge loan to Knight in the amount of $3.1 million.

Discontinued Operations

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

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

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

Products

Non-Prescription Skincare Products

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

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

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

ISDIN
ISDIN is the market leader in skincare in Spain and was formed in 1975 through a joint venture between Esteve and Puig. ISDIN's focus is to offer a complete range of innovative dermatology solutions to consumers with the highest quality standards and strong clinical evidence. ISDIN is well established in Europe, Latin America and Asia with more than 14 brand families and a leading consumer market position in skin categories like

hydration, sun care, atopic dermatitis, baby skin, acne and women's health and sun damage repair. INTEGA has the exclusive rights to market and sell ISDIN products in Canada. The trademark is owned by ISDIN S.A. and is being used under license by INTEGA.

Prescription Drug Product

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

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

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

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

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

MiCal 1 and MiCal 2
In April 2014, Nuvo entered into a collaboration agreement with MiCal - a joint venture between Ferndale and a leading contract research company (CRO) (Ferndale Collaboration) - to develop two topical dermatology products based on the Company's patented multiplexed molecular penetration enhancers (MMPE) technology.

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

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

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

Pipeline Products

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

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

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

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

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

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

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

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

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

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

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

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

Litigation

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

Liquidity

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

Crescita has incurred significant losses to-date. As at December 31, 2016, Crescita had an accumulated deficit of $31.1 million, including a net loss of $14.9 million in 2016. As at December 31, 2016, the Company had cash, cash equivalents and short-term investments of $18.4 million of which $8.6 million is restricted cash, held in short-term investments, guaranteeing the loan and $9.8 million is cash available for operations.

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

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

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

- market acceptance of the Company's products by consumers, physicians or patients will depend on distribution channels (i.e. pharmacies, retail chains) accepting the product for sale; and

- its ability to advance the development of its pipeline products to significant milestones that are financeable.

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

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its business acquisition report (the BAR) with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, 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.

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

Selected Financial Information

in thousands (except per share)

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Operations		
Product sales	**3,012**	-
Royalties	**132**	228
Services revenue	**360**	-
Total Revenue	**3,504**	228
Total operating expenses	**18,073**	7,664
Loss from operations	**(14,569)**	(7,436)
Other expenses	**230**	29
Income tax recovery	**(2,097)**	-
Net loss from continuing operations	**(12,702)**	(7,465)
Net loss from discontinued operations	**(2,246)**	(7,983)
Net loss	**(14,948)**	(15,448)
Unrealized gains (losses) on translation of foreign operations	**105**	(65)
Total comprehensive loss	**(14,843)**	(15,513)
Share Information[(i)]		
Net loss per common share for continuing operations		
- basic and diluted	**(1.04)**	(0.68)
Weighted average number of common shares outstanding for the year		
- basic and diluted	**12,251**	10,926

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

	As at December 31, 2016	As at December 31, 2015
Financial Position	**$**	$
Cash and cash equivalents	**9,807**	478
Restricted short-term investments	**8,551**	-
Total assets	**43,018**	1,188
Other obligations, including current portion	**2,035**	225
Long-term debt, including current portion	**8,164**	-
Total liabilities	**16,210**	4,554
Total equity	**26,808**	(3,366)

Non-IFRS Financial Measure

Crescita discloses non-IFRS measures that do not have standardized meanings prescribed by IFRS, but are considered useful by management, investors and other financial stakeholders to assess Crescita's performance and management from a financial and operational standpoint. "Total operating expenses" is defined as the sum of: cost of goods sold (COGS), R&D expenses, SG&A expenses, interest expense and

interest income. "Loss from operations" is defined as total revenue, less total operating expenses. Crescita considers these to be useful measures, as they provide investors with an indication of the operating performance of Crescita before considering gains or losses from foreign exchange or items that are non-recurring transactions.

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

Significant Transactions

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

Results of Operations

Revenue
in thousands

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

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

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

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

Royalties
Royalties, which Crescita receives from Galderma, its global licensee for Pliaglis, were $0.1 million for the year ended December 31, 2016 compared to $0.2 million for the year ended December 31, 2015. All royalty revenue related to the global net sales of Pliaglis. Royalties are determined using agreed upon formulas based on the definition of the licensee's net sales as defined in the licensing agreement. Crescita recognizes royalty revenue based on the net sales of the licensee. In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico. Since the reacquisition of the North American Rights, the Company now earns a single-digit royalty on Galderma's net sales.

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

Operating Expenses
in thousands

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

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

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

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

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

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

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

Selling, General and Administrative
SG&A expenses included allocated costs that were incurred prior to March 1, 2016. SG&A expenses were $13.7 million for the year ended December 31, 2016 compared to $6.1 million for the year ended December 31, 2015. The increase in the current year primarily related to an increase in professional and consulting fees of $3.4 million related to the Reorganization (See Overview - Background), $1.8 million of one-time non-recurring transactional costs related to the INTEGA Acquisition, on-going costs for the integration of the INTEGA Acquisition and costs related to the sale and wind-up of the Company's European operations. In addition, Crescita has also incurred costs relating to the sale of the Immunology Group's German manufacturing operation, and transactions the Company is no longer pursuing. Also contributing to the increase during the year was $0.2 million for the final milestone owed to Galderma for the Pliaglis North

American rights reacquisition, an increase in stock-based compensation (SBC) of $0.4 million and severance costs of $1.2 million related to restructuring the operations.

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

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

Other Expenses
in thousands

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

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

Net Loss and Total Comprehensive Loss
in thousands

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Net loss before income taxes from continuing operations	**(14,799)**	(7,465)
Income tax recovery	**(2,097)**	-
Net loss from continuing operations	**(12,702)**	(7,465)
Net loss from discontinued operations	**(2,246)**	(7,983)
Net loss	**(14,948)**	(15,448)
Unrealized gains (losses) on translation of foreign operations	**105**	(65)
Total comprehensive loss	**(14,843)**	(15,513)

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

Income Tax Recovery
The Company has recognized an income tax recovery of $2.1 million, primarily from the recognition of Crescita's non-capital loss carryforwards, as a result of the deferred tax liability being recorded as part of the INTEGA Acquisition.

Net Loss from Continuing Operations
Net loss from continuing operations was $12.7 million for the year ended December 31, 2016 compared to $7.5 million for the year ended December 31, 2015. For the current year, the increase in net loss was related to an increase in loss from operations, partially offset by $2.1 million of income tax recovery.

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

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

Net Loss
Net loss was $14.9 million for the year ended December 31, 2016 compared to $15.4 million for the year ended December 31, 2015. The decrease in net loss in the current year was attributable to an increase in loss from operations, partially offset by a decrease in net loss from discontinued operations and an income tax recovery of $2.1 million.

Total Comprehensive Loss
Total comprehensive loss for the year ended December 31, 2016 was $14.8 million compared to $15.5 million for the year ended December 31, 2015. The current year included an unrealized gain of $0.1 million on the translation of foreign operations compared to an unrealized loss of $65,000 for the comparative year.

Net Loss Per Common Share
share figures in thousands

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Net loss per common share from continuing operations		
- basic and diluted	**(1.04)**	(0.68)
Weighted average number of common shares outstanding		
- basic and diluted	**12,251**	10,926

Net loss per share from continuing operations was $1.04 for the year ended December 31, 2016 compared to $0.68 for the year ended December 31, 2015.

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

Liquidity and Capital Resources
in thousands

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Net loss from continuing operations	**(12,702)**	(7,465)
Net loss from discontinued operations	**(2,246)**	(7,983)
Items not involving current cash flows	**(979)**	365
Cash used in operations	**(15,927)**	(15,083)
Net change in non-cash working capital	**(2,650)**	1,165
Cash used in operating activities	**(18,577)**	(13,918)
Cash used in investing activities	**(11,418)**	(23)
Cash provided by (used in) financing activities	**39,582**	13,941
	9,587	-
Effect of exchange rates on cash	**(258)**	35
Net change in cash during the year	**9,329**	35
Cash, beginning of year	**478**	443
Cash, end of year	**9,807**	478

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

Operating Activities
Overall cash used in operating activities was $18.6 million for the year ended December 31, 2016 compared to $13.9 million for the year ended December 31, 2015. The increase in cash used in operating activities related to an increase in net loss from continuing operations and a $2.7 million investment in working capital compared to a $1.2 million recovery of working capital in the comparative year. The working capital investment of $2.7 million in the current year, primarily related to an increase in accounts payable and accruals for payments associated with the INTEGA acquisition and the restructuring of the Company, an investment in inventories to meet planned demand and an increase in other current assets, primarily related to commodity taxes receivable of $0.6 million and prepaid expenditures, including prepayments related to manufacturing materials of $0.4 million.

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

Financing Activities

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

Selected Quarterly Information

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

	March 31, 2016	June 30, 2016	September 30, 2016	**December 31, 2016**
in thousands, except per share data	$	$	$	**$**
Revenue	95	98	1,063	**2,248**
Net loss from continuing operations	(4,953)	(2,340)	(1,370)	**(4,039)**
Net loss	(6,058)	(3,079)	(1,713)	**(4,098)**
Net loss per common share from continuing operations				
- basic and diluted	(0.44)	(0.20)	(0.11)	**(0.29)**
Net loss per common share				
- basic and diluted	(0.54)	(0.27)	(0.14)	**(0.29)**

	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
	$	$	$	$
Revenue	26	113	29	60
Net loss from continuing operations	(963)	(1,786)	(2,255)	(2,461)
Net loss	(2,295)	(5,445)	(3,303)	(4,405)
Net loss per common share from continuing operations				
- basic and diluted	(0.09)	(0.16)	(0.21)	(0.22)
Net loss per common share				
- basic and diluted	(0.21)	(0.50)	(0.30)	(0.40)

Fourth Quarter Results

in thousands

	Three months ended December 31, 2016	Three months ended December 31, 2015
	$	$
Product sales	**2,088**	-
Royalties	**60**	60
Services revenue	**100**	-
Total revenue	**2,248**	60
Cost of goods sold	**1,768**	-
Research and development	**510**	219
Selling, general and administrative	**4,755**	2,290
Interest expense	**53**	9
Interest income	**(29)**	-
Total operating expenses	**7,057**	2,518
Other expenses (income)	**(73)**	3
Net loss before income taxes from continuing operations	**(4,736)**	(2,461)
Income tax recovery	**(697)**	-
Net loss from continuing operations	**(4,039)**	(2,461)
Net loss from discontinued operations	**(59)**	(1,944)
Net loss	**(4,098)**	(4,405)
Other comprehensive loss	**(5)**	(18)
Total comprehensive loss	**(4,103)**	(4,423)

Key Developments

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

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

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

Operating Results

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

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

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

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

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

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

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

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

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

Net loss for the three months ended December 31, 2016 was $4.1 million compared to $4.4 million for the three months ended December 31, 2015. In the comparative quarter, net loss included a net loss from discontinued operations of $1.9 million which was attributable to the development of WF10 for the treatment of allergic rhinitis. The improvement in net loss for the current quarter was a result of the increased revenues netted against the corresponding costs to realize those revenues and was offset by the additional costs incurred to integrate and restructure the operations.

Total comprehensive loss was $4.1 million for the three months ended December 31, 2016 compared to $4.4 million for the three months ended December 31, 2015. Included in the comprehensive loss was a $5,000 unrealized loss on the translation of foreign operations for the three months ended December 31, 2016 compared to a $18,000 unrealized loss for the three months ended December 31, 2015.

Liquidity
in thousands

	Three months ended December 31, 2016	Three months ended December 31, 2015
	$	$
Net loss from continuing operations	**(4,039)**	(2,461)
Net loss from discontinuing operations	**(59)**	(1,944)
Items not involving current cash flows	**(686)**	146
Cash used in operations	**(4,784)**	(4,259)
Net change in non-cash working capital	**(455)**	1,313
Cash used in operating activities	**(5,239)**	(2,946)
Cash used in investing activities	**(78)**	(10)
Cash provided by financing activities	**-**	2,658
Effect of exchange rates on cash	**93**	(20)
Net change in cash	**(5,224)**	(318)
Cash, beginning of period	**15,031**	796
Cash, end of period	**9,807**	478

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

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

Valuation methods and assumptions

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

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

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

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

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

Financial Risk Management

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

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

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

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

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

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

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

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

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

Interest Rate Risk
The Company's long-term debt bears interest at a rate of 9% per year, compounded on a monthly basis. However, if the 1-year LIBOR rate plus 6% exceeds 9% at any interest payment date, interest for that month will be calculated using the 1-year LIBOR rate plus 6% instead of 9%.

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

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

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

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

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

Commitments

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

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

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

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

Off-Balance Sheet Arrangements

Crescita does not have any off-balance sheet arrangements.

Related Party Transactions

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

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

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

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

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

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

functions were outsourced or performed by Crescita employees and strategic decisions in areas such as infrastructure.

Outstanding Share Data

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

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

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

Critical Accounting Policies and Estimates

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

Critical Accounting Estimates

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

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

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

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

(ii) Purchase price allocation and intangibles

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

For the acquisition of INTEGA, the estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% was applied to derive a terminal value beyond the initial 5-year period. The discount rate used to calculate the fair value of the business was 13.6%. The fair value of the contingently payable purchase price obligation is based on a weighted average probability of achieving the earn-out target.

(iii) Cash-generating units

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

(iv) Impairment of non-financial assets and goodwill

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

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

A 100-basis point increase in the post-tax discount rate would have resulted in an impairment charge of $0.9 million in 2016.

A 10% decrease, evenly distributed over future periods, in the expected future net cash inflows would have resulted in an impairment charge of $0.7 million in 2016.

(v) Share-based payments

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

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

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

Recent Accounting Pronouncements

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

IFRS 9 - *Financial Instruments*

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

IFRS 15 - *Revenue from Contracts with Customers*

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

IFRS 16 - *Leases*

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

Amendments to IFRS 2 - *Share-based Payments*

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

Management's Responsibility for Financial Reporting

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures (DCP) are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of DCP includes, among other things,

the Company's Corporate Disclosure and Code of Conduct and Business Ethics policies, the review and approval procedures of the Corporate Disclosure Committee and continuous review and monitoring procedures by senior management.

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

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

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

INTEGA's contribution to the overall consolidated financial statements of Crescita for the year ended December 31, 2016 was approximately 86% of consolidated revenues and 18% of consolidated net loss. Additionally, as at December 31, 2016, INTEGA's current assets and current liabilities were approximately 21% and 57% of consolidated current assets and current liabilities and its non-current assets and non-current liabilities were approximately 20% and 80% of consolidated non-current assets and non-current liabilities

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

Risk Factors

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

Need for additional financing
At December 31, 2016, the Company had cash and short-term investments of $18.4 million of which $8.6 million is restricted cash guaranteeing the debt and $9.8 million is cash available for operations. During 2017, the Company will continue to incur expenditures as it proceeds with the integration of INTEGA and potential development programs to advance the products in its pipeline and to seek regulatory approvals. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis

may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions. Unexpected increases in Crescita's costs and expenses due to operational decisions by Crescita and/or factors beyond Crescita's control could cause its cash resources to be depleted and profitability will not be achieved. Even if the Company achieves profitability, it may not remain profitable. Crescita's inability to become and remain profitable could depress the market price of its shares and could impair its ability to raise capital, expand its business, expand its product pipeline or continue its operations.

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

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its BAR with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, 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. A failure to meet such conditions could result in our lender seeking to enforce their security under the Loan Agreement. This could have a material adverse effect on Crescita's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the terms of the Pliaglis license agreements, Galderma has the sole right to manufacture Pliaglis and therefore, Crescita will depend on Galderma as the only qualified supplier of the product for all global markets. Pliaglis also contains the active drugs lidocaine and tetracaine and in the past the form of tetracaine used in the product has, at times, been difficult to procure. Crescita will be reliant on Galderma to maintain the facilities at which it manufactures Pliaglis in compliance with FDA, EMA, state and local regulations and other regulatory

agencies. If Galderma fails to maintain compliance with FDA, EMA or other critical regulations, they could be ordered to cease manufacturing, which would have a material adverse impact on Crescita's business, results of operations, financial condition and cash flows. In addition to FDA regulations, violation of standards enforced by the EPA, the OSHA and their counterpart agencies at the state level, could slow down or curtail operations of Galderma. In December 2015, the Company reacquired Pliaglis development and marketing rights for the U.S., Canada and Mexico and will rely on Galderma to manufacture Pliaglis for these markets.

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

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

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

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

- Crescita may encounter difficulties in achieving volume production, quality control and quality assurance, as well as relating to shortages of qualified personnel. Accordingly, Crescita might not be able to manufacture sufficient quantities to successfully commercialize its products;

- Crescita's manufacturing facilities will be required to undergo satisfactory current GMPs inspections prior to regulatory approval and are obliged to operate in accordance with Health Canada and other nationally mandated GMPs, which govern manufacturing processes, stability testing, record keeping and quality standards. Failure to establish and follow GMPs and to document adherence to such practices, may lead to significant delays in the availability of Crescita's products; and

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

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

restrictions, facility closures and criminal prosecutions, any of which could materially adversely affect Crescita's business.

Additional Information

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