Crescita Therapeutics Inc. First Quarter Report 2017

Management's Discussion and Analysis (MD&A)

May 15, 2017 / The following information should be read in conjunction with the Crescita Therapeutics™ Inc. (Crescita or the Company) Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2017 which were prepared in accordance with International Financial Reporting Standards (IFRS) and filed on SEDAR on May 15, 2017. Additional information relating to the Company, including its Annual Information Form (AIF), can be found on SEDAR at www.sedar.com.

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

Forward-looking Statements

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of its business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. Crescita's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, readers should not rely on any of these forward-looking statements. Important factors that could cause Crescita's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors included in Crescita's most recent 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 or any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

Any forward-looking statement made by the Company in this MD&A is based only on information currently available to it and speaks only as of the date on which it is made. Except as required by applicable securities laws, Crescita undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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 March 31, 2017, the Company and its subsidiaries employed a total of 74 full-time employees at its head office in Mississauga, Ontario and a manufacturing and research and development (R&D) facility in Laval, Québec.

Significant Transactions

2017

Pliaglis® Out-licensing

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

MMPE™ Technology

In March, the Company signed an exclusive license agreement with a U.S.-based, major dermatological contract research company (the Licensee) to develop prescription treatments of skin diseases utilizing Crescita's patented Multiplexed Molecular Penetration Enhancer (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.

2016

Acquisition of INTEGA Skin Sciences Inc.

On September 1, 2016, the Company acquired 100% of the equity of INTEGA Skin Sciences Inc. (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.

Corporate Reorganization
On March 1, 2016, Nuvo Research Inc. completed a corporate reorganization that reorganized Nuvo Research Inc. into two separate publicly traded companies: Nuvo and Crescita. See Corporate Reorganization and the Nuvo Reorganization Circular filed on SEDAR for information on this transaction.

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.

In April 2017, the Company entered into a development and commercialization license agreement with Taro granting Taro an exclusive license to the rights to sell and distribute Pliaglis in the U.S. market and for the Enhanced Formulation (See Significant Transactions – 2017 – Pliaglis Out-licensing). Crescita continues to evaluate strategies to optimize its sales of Pliaglis in Canada and Mexico.

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.

In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico from Galderma Pharma S.A. (Galderma), a global pharmaceutical company specialized in dermatology. 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 as at March 31, 2016. Beginning in 2021, Crescita has the right to reacquire the Rest of World (ROW) rights on a country-by-country basis without additional compensation if Galderma does not achieve minimum sales targets. Galderma will continue to market Pliaglis in 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 where Galderma still owns the development and marketing rights. Galderma is responsible for manufacturing Pliaglis. Taro will sell and distribute Pliaglis in the U.S. market.

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. In April 2017, the Company entered into the Agreement with Taro, that granted Taro an exclusive license to the rights to sell and distribute Pliaglis in the U.S. market and the Enhanced Formulation with patent pending. 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.

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 JP 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.
Dermatology products utilizing MMPE [4]	Prescription treatments of skin diseases	Preclinical	Patent granted in the U.S. expiring in 2027. Patent pending through 2027.

1. MiCal 1 and 2 are products being developed under the Ferndale Collaboration.
2. 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.
4. Crescita has licensed the MMPE technology to a U.S.-based, major dermatological contract research company. The Licensee will oversee and fund the cost to develop up to three dermatological products.

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 and pending applications provide intellectual property protection through March 6, 2027.

Capability to Deliver Results
The Company will need to spend resources to research, develop and manufacture its products and technologies. Crescita may finance these activities through: existing cash, revenue generated by product sales to its customers 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 March 31, 2017, Crescita had an accumulated deficit of $36.1 million, including a net loss of $3.2 million for the current quarter. As at March 31, 2017, the Company had cash and short-term investments of $13.8 million of which $8.6 million is restricted cash, held in short-term investments, guaranteeing the loan and $5.2 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 but will be able to raise funds by way of private placement. In addition, Crescita may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may be unable to continue operations in the normal course of business and may need to curtail programs and operations.

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

Selected Financial Information

in thousands (except per share)

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Operations		
Product sales	**1,987**	-
Royalties	**40**	42
Services revenue	**53**	53
Total Revenue	**2,080**	95
Total operating expenses	**5,171**	4,673
Loss from operations	**(3,091)**	(4,578)
Other expenses	**39**	375
Net loss from continuing operations	**(3,130)**	(4,953)
Net loss from discontinued operations	**(63)**	(1,105)
Net loss	**(3,193)**	(6,058)
Unrealized gains on translation of foreign operations	**2**	112
Total comprehensive loss	**(3,191)**	(5,946)
Share Information[(i)]		
Net loss per common share for continuing operations		
- basic and diluted	**$(0.23)**	$(0.44)
Weighted average number of common shares outstanding for the period		
- basic and diluted	**13,935**	11,294

(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 March 31, 2017	As at December 31, 2016
Financial Position	$	$
Cash and cash equivalents	5,221	9,807
Restricted short-term investments	8,551	8,551
Total assets	37,000	41,216
Other obligations, including current portion	1,042	2,035
Long-term debt, including current portion	8,059	8,164
Total liabilities	15,108	16,210
Total equity	21,892	25,006

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.

Results of Operations

Revenue
in thousands

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Product sales	**1,987**	-
Royalties	**40**	42
Services revenue	**53**	53
Total Revenue	**2,080**	95

Product Sales
Product sales were $2.0 million for the three months ended March 31, 2017 compared to $nil for the three months ended March 31, 2016.

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 three months ended March 31, 2017, product sales, derived from the Company's current four largest customers represented 24% of product sales.

Royalties
Royalties, which Crescita receives from Galderma, its global licensee for Pliaglis, were $40,000 for the three months ended March 31, 2017 compared to $42,000 for the three months ended March 31, 2016. All royalty revenue relates to the global net sales of Pliaglis. Royalties are determined using agreed upon formulas based on the definition of the licensee's net sales as defined in the licensing agreement. Crescita recognizes royalty revenue based on the net sales of the licensee. In December 2015, the Company reacquired the development and marketing rights for Pliaglis for the U.S., Canada and Mexico. 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 support, and facility and equipment rental. Crescita earned $53,000 for services provided to Nuvo in both the current and comparative quarters.

Operating Expenses
in thousands

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Cost of goods sold	**1,011**	-
Research and development	**386**	755
Selling, general and administrative	**3,725**	3,920
Interest expense	**74**	7
Interest income	**(25)**	(9)
Total operating expenses	**5,171**	4,673

Total operating expenses for the three months ended March 31, 2017 were $5.2 million compared to $4.7 million for the three months ended March 31, 2016.

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 three months ended March 31, 2017 was $1.0 million compared to $nil for the three months ended March 31, 2016. The COGS for the current quarter relate to product sales resulting from the INTEGA Acquisition. Gross margin on product sales was $1.0 million or 49% for the three months ended March 31, 2017 mainly as a result of favourable operating efficiencies and product mix. Excluding fair value adjustments to inventory, the gross margin for the current quarter was $1.3 million or 68%. Product mix could have a considerable impact on the Company's gross margins and these will vary over time.

Research and Development
R&D expenses were $0.4 million for the three months ended March 31, 2017 compared to $0.8 million for the three months ended March 31, 2016. 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 quarter, the Company incurred costs related to the advancement of formulations for the Ferndale Collaboration. The comparative quarter also included costs incurred for the development of new indications of Flexicaine. The decrease in R&D expenses for the current quarter reflects the synergies resulting from integrating the R&D activities at the Laval facility, partially offset by costs for the reformulation of the INTEGA products.

Selling, General and Administrative
SG&A expenses were $3.7 million for the three months ended March 31, 2017 compared to $3.9 million for the three months ended March 31, 2016. SG&A expenses included allocated costs that were incurred prior to March 1, 2016. The current quarter reflects the inclusion of INTEGA's operations while the comparative quarter included costs for the Reorganization as well as a transaction that the Company was pursuing at the time. The

Company anticipates a reduction in SG&A costs going forward as the impact of synergies and benefits related to integration efforts continue to manifest.

Interest
Interest expense was $74,000 for the three months ended March 31, 2017 and relates to the Knight Loan net of amortization of the fair value premium. In the three months ended March 31, 2016, interest expense of $7,000 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 $25,000 for the three months ended March 31, 2017 compared to $9,000 for the three months ended March 31, 2016. The Company earns interest income on its cash balances held primarily with Schedule 1 Canadian banks.

Other Expenses
in thousands

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Foreign currency loss	**39**	375
Total other expenses	**39**	375

Foreign Currency Loss
For the three months ended March 31, 2017, the Company incurred a net foreign currency loss of $39,000 compared to $0.4 million for the three months ended March 31, 2016. In the current quarter, 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. The Company realized a $0.4 million loss on U.S. dollar cash balances that were transferred from Nuvo to Crescita as part of the Reorganization in the three months ended March 2016.

Net Loss and Total Comprehensive Loss
in thousands

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Net loss before income taxes from continuing operations	**(3,130)**	(4,953)
Net loss from continuing operations	**(3,130)**	(4,953)
Net loss from discontinued operations	**(63)**	(1,105)
Net loss	**(3,193)**	(6,058)
Unrealized gains on translation of foreign operations	**2**	112
Total comprehensive loss	**(3,191)**	(5,946)

Net Loss from Continuing Operations
Net loss from continuing operations was $3.1 million for the three months ended March 31, 2017 compared to $5.0 million for the three months ended March 31, 2016. The loss in the three months ended March 31, 2016 was higher as a result of costs related to the Reorganization as well as transactional costs.

Net Loss from Discontinued Operations
Net loss from discontinued operations was $63,000 for the three months ended March 31, 2017 compared to $1.1 million for the three months ended March 31, 2017. The improvement in net loss from discontinued operations for the three months ended March 31, 2017 results from the cancellation of the Immunology Group's R&D programs as part of the orderly wind-down which commenced during the second half of 2016. In the comparative period, net loss was attributable to the development of WF10 and the 2015 WF10 trial.

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
in thousands	**$**	$
Discontinued Operations		
Product sales	**-**	136
Total Revenue	**-**	136
Total operating expenses	**63**	1,223
Foreign currency loss (gain)	**-**	(9)
Impairment of property, plant and equipment	**-**	27
Net loss from discontinued operations	**(63)**	(1,105)

Net Loss

Net loss was $3.2 million for the three months ended March 31, 2017 compared to $6.1 million for the three months ended March 31, 2016. The net loss in the comparative quarter was higher by $1.8 million from continuing operations and $1.0 million from discontinued operations as discussed above.

Total Comprehensive Loss

Total comprehensive loss for the three months ended March 31, 2017 was $3.2 million compared to $6.0 million for the three months ended March 31, 2016. The current quarter included an unrealized gain of $2,000 on the translation of foreign operations compared to an unrealized gain of $0.1 million for the comparative quarter.

Net Loss Per Common Share

share figures in thousands

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Net loss per common share from continuing operations		
- basic and diluted	**(0.23)**	$(0.44)
Weighted average number of common shares outstanding		
- basic and diluted	**13,935**	11,294

Net loss per share from continuing operations was $0.23 for the three months ended March 31, 2017 compared to $0.44 for the three months ended March 31, 2016.

The Company issued 11.5 million common shares on March 1, 2016 and a further 2.4 million in conjunction with the INTEGA acquisition. The weighted average number of shares outstanding on a basic and diluted basis was 13.9 million for the three months ended March 31, 2017 compared to 11.3 million for the three months ended March 31, 2016. Prior to the Reorganization, 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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Net loss from continuing operations	**(3,130)**	(4,953)
Net loss from discontinued operations	**(63)**	(1,105)
Items not involving current cash flows	**638**	931
Cash used in operations	**(2,555)**	(5,127)
Net change in non-cash working capital	**(961)**	(2,116)
Cash used in operating activities	**(3,516)**	(7,243)
Cash used in investing activities	**(43)**	-
Cash provided by (used in) financing activities	**(1,000)**	39,764
	(4,559)	32,521
Effect of exchange rates on cash	**(27)**	(405)
Net change in cash during the period	**(4,586)**	32,116
Cash, beginning of period	**9,807**	478
Cash, end of period	**5,221**	32,594

Cash
Cash was $5.2 million as at March 31, 2017 compared to $9.8 million at December 31, 2016. 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 $3.5 million for the three months ended March 31, 2017 compared to $7.2 million for the three months ended March 31, 2016. The decrease in cash used in operating activities related to a decrease in net loss from both continuing and discontinued operations and a $1.0 million investment in working capital compared to a $2.1 million investment in working capital in the comparative quarter. The working capital investment of $1.0 million in the current quarter primarily related to a $1.7 million increase in inventories to meet planned demand offset by a decrease in accounts receivable of $0.4 million and a decrease in other current assets of $0.3 million primarily resulting from the return of the $0.2 million deposit which had been pledged as security for the corporate office lease.

Investing Activities
Net cash used in investing activities was $43,000 for the three months ended March 31, 2017 compared to $nil for the three months ended March 31, 2016. In the current quarter, cash used in investing activities was primarily attributable to the acquisition of laboratory equipment.

Financing Activities
Net cash used in financing activities totalled $1.0 million for the three months ended March 31, 2017 compared to net cash provided by financing activities of $39.8 million for the three months ended March 31, 2016. In the current quarter, financing activities related to payment of the first $1.0 million payable due on January 22, 2017 relating to a previous acquisition by INTEGA. In the comparative quarter, Crescita received $35.0 million from Nuvo to fund its operations in accordance with the terms of the Arrangement and 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.

in thousands, except per share data	June 30, 2016 $	September 30, 2016 $	December 31, 2016 $	**March 31, 2017 $**
Revenue	98	1,063	2,248	**2,080**
Net loss from continuing operations	(2,340)	(2,707)	(4,504)	**(3,130)**
Net loss	(3,079)	(3,050)	(4,563)	**(3,193)**
Net loss per common share from continuing operations				
- basic and diluted	(0.20)	(0.22)	(0.32)	**(0.23)**
Net loss per common share				
- basic and diluted	(0.27)	(0.25)	(0.33)	**(0.23)**

	June 30, 2015 $	September 30, 2015 $	December 31, 2015 $	March 31, 2016 $
Revenue	113	29	60	95
Net loss from continuing operations	(1,786)	(2,255)	(2,461)	(4,953)
Net loss	(5,445)	(3,303)	(4,405)	(6,058)
Net loss per common share from continuing operations				
- basic and diluted	(0.16)	(0.21)	(0.22)	(0.44)
Net loss per common share				
- basic and diluted	(0.50)	(0.30)	(0.40)	(0.54)

Key Developments

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

- In April, the Company entered into the Agreement with Taro. Under the terms of the Agreement, Crescita has granted Taro an exclusive license to the rights to sell and distribute Pliaglis in the U.S. market and for the Enhanced Formulation. In consideration of the rights granted under the Agreement, Taro will make the following payments to Crescita, an upfront payment of US$2.0 million, up to US$5.75 million in non-dilutive development and sales milestone payments and tiered royalties on net sales of products licensed under the Agreement.

- In April, the board of directors of the Company appointed Serge Verreault to the position of President. Mr. Verreault had previously held the position of Executive Director of Business Development at Valeant Canada and was a member of the Operating Committee.

- 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.

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 Interim Statements of Financial Position as at:

	March 31, 2017			December 31, 2016		
	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**	-	-	63
SARs	**-**	**52**	**-**	-	229	-

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 three months ended March 31, 2017 and 2016.

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

Level 2 liabilities include obligations of the Company for the SARs Plan. 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.

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 $2.6 million that are due in less than one year and $7.9 million that is payable from 2019 to 2024.

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 March 31, 2017, 7% of accounts receivable related to customers outside North America and the E.U. [December 31, 2016 - 9%].

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

	March 31, 2017	December 31, 2016
in thousands	**$**	$
Current	**850**	476
0-30 days past due	**229**	783
31-60 days past due	**55**	235
61-90 days past due	**38**	143
Over 90 days past due	**114**	42
	1,286	1,679

As at March 31, 2017, the allowance for doubtful accounts receivable was $0.1 million [December 31, 2016 - $0.1 million].

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	**March 31, 2017**	December 31, 2016	**March 31, 2017**	December 31, 2016
	€	€	**$**	$
Cash	**25**	50	**284**	1,680
Accounts receivable	**-**	-	**215**	66
Other current assets	**22**	126	**19**	90
Accounts payable and accrued liabilities	**(137)**	(51)	**(697)**	(522)
Other short-term obligations	**-**	(4)	**-**	(35)
	(90)	121	**(179)**	1,279

Based on the aforementioned net exposure as at March 31, 2017, 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 $24 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $13 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 were discontinued on July 11, 2016. 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 March 31 as follows:

in thousands	Purchase Obligations	Operating Leases	Total
	$	$	$
2018	2,038	538	2,576
2019	2,473	394	2,867
2020	3,213	397	3,610
2021	-	400	400
2022	-	402	402
2023 and thereafter	-	605	605
	7,724	**2,736**	**10,460**

For the three months ended March 31, 2017, payments under operating leases totalled $0.1 million [March 31, 2016 - $44, including 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 Condensed Consolidated Interim Financial Statements with respect to these indemnification obligations.

Subsequent Event

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

Off-Balance Sheet Arrangements

Crescita does not have any off-balance sheet arrangements.

Related Party Transactions

Transition Services

Nuvo Pharmaceuticals Inc.
Subsequent to the Reorganization, Nuvo and Crescita were related parties due to shared key management personnel. Effective March 1, 2016, Nuvo and Crescita entered into a reciprocal transitional services agreement with a term of 18 months. Under the transitional services agreement, (a) Nuvo provides Crescita corporate-level employee services, quality assurance support and facility rental, and (b) Crescita provides Nuvo corporate-level employee services, R&D support and facility and equipment rental.

As a result of the restructuring of key management personnel, Nuvo and Crescita are no longer related parties.

For the three months ended March 31, 2016, services provided to Nuvo were $53,000 and services received from Nuvo were $62,000.

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 three months ended March 31, 2016 and allocations reflected in R&D expenses totalled $0.2 million for the same period.

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 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 March 31, 2017, there were 1,337,597 options outstanding of which 793,429 have vested.

Pursuant to the Arrangement, each Nuvo Research Inc. SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. As at March 31, 2017, there were 170,635 SARs outstanding. 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 Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the

disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Crescita's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 4 - *Summary of Significant Accounting Policies* of the Condensed Consolidated Interim Financial Statements.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee. 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* 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 annual Consolidated Financial Statements.

IFRS 15 - *Revenue from Contracts with Customers*
In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently in the process of assessing its contracts and based on progress to-date, the Company expects to complete this assessment by the third quarter of 2017.

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 annual 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 annual Consolidated Financial Statements.

Management's Responsibility for Financial Reporting

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

Management, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have designed, or caused to be designed, internal controls over financial reporting (ICFR) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

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 three months ended March 31, 2017 was approximately 96% of consolidated revenues and 33% of consolidated net loss. Additionally, as at March 31, 2017, INTEGA's current assets and current liabilities were approximately 34% and 62% of consolidated current assets and current liabilities and its non-current assets and non-current liabilities were approximately 58% and 83% of consolidated non-current assets and non-current liabilities

There were no material changes in the Company's ICFR that occurred during the three months ended March 31, 2017.

Risk Factors

An investment in the securities of the Company is speculative and involves a high degree of risk. An investor should carefully consider the risks and uncertainties discussed in detail in the Restated MD&A filed on SEDAR on May 15, 2017 for the year ended December 31, 2016 and the "Risk Factors" section of the Company's AIF filed March 30, 2017 before making an investment decision.

Additional Information

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

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Canadian dollars in thousands)	***Notes***	**As at March 31, 2017** **$**	As at December 31, 2016 $
ASSETS			
CURRENT			
Cash and cash equivalents	*18*	**5,221**	9,807
Restricted short-term investments	*10, 18*	**8,551**	8,551
Accounts receivable	*18, 20*	**1,286**	1,679
Inventories	*6*	**4,323**	2,982
Other current assets	*7*	**1,013**	1,353
TOTAL CURRENT ASSETS		**20,394**	24,372
NON-CURRENT			
Property, plant and equipment	*8*	**796**	810
Intangible assets	*9*	**9,615**	9,839
Goodwill		**6,195**	6,195
TOTAL ASSETS		**37,000**	41,216
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	*13, 18*	**6,007**	6,011
Current portion of long-term debt	*10, 18*	**915**	723
Current portion of other obligations	*11, 18*	**1,042**	1,000
TOTAL CURRENT LIABILITIES		**7,964**	7,734
Long-term debt	*10, 18*	**7,144**	7,441
Other obligations	*11, 18*	**-**	1,035
TOTAL LIABILITIES		**15,108**	16,210
EQUITY			
Common shares issued and to be issued	*12*	**56,425**	56,425
Contributed surplus	*13*	**436**	359
Accumulated other comprehensive income (AOCI)		**1,166**	1,164
Deficit	*12*	**(36,135)**	(32,942)
TOTAL EQUITY		**21,892**	25,006
TOTAL LIABILITIES AND EQUITY		**37,000**	41,216

Commitments (Note 17)
See accompanying Notes.

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

(Canadian dollars in thousands, except per share and share figures)	***Notes***	**Three Months ended March 31, 2017** **$**	Three Months ended March 31, 2016 $
REVENUE			
Product sales	*19*	**1,987**	-
Royalties	*19*	**40**	42
Services revenue	*19, 20*	**53**	53
Total revenue		**2,080**	95
OPERATING EXPENSES			
Cost of goods sold	*6, 15*	**1,011**	-
Research and development	*13, 15, 20*	**386**	755
Selling, general and administrative	*13, 15, 20*	**3,725**	3,920
Interest expense	*10, 11*	**74**	7
Interest income		**(25)**	(9)
Total operating expenses		**5,171**	4,673
OTHER EXPENSES			
Foreign currency loss		**39**	375
NET LOSS FROM CONTINUING OPERATIONS		**(3,130)**	(4,953)
NET LOSS FROM DISCONTINUED OPERATIONS	*5*	**(63)**	(1,105)
NET LOSS		**(3,193)**	(6,058)
Other comprehensive income to be reclassified to net loss in subsequent periods			
Unrealized gains on translation of foreign operations		**2**	112
TOTAL COMPREHENSIVE LOSS		**(3,191)**	(5,946)
Net loss per common share from continuing operations			
- basic and diluted	*14*	**$(0.23)**	$(0.44)
Net loss per common share from discontinued operations			
- basic and diluted	*5, 14*	**$(0.00)**	$(0.10)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted	*14*	**13,935**	11,294

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Common Shares		Contributed Surplus	Deficit	Owner's Net Investment	AOCI	Total
(Canadian dollars in thousands, except for number of shares)	**000s**	**$**	**$**	**$**	**$**	**$**	**$**
Notes	*1, 12, 13*	*1, 12, 13*	*12, 13*				
Balance, December 31, 2015	-	-	-	-	(4,425)	1,059	(3,366)
Net loss	-	-	-	-	(3,180)	-	(3,180)
Net adjustments to owner's net investment	-	-	-	-	4,830	-	4,830
Cash transferred from Nuvo Research Inc. (Nuvo) in connection with the Arrangement	-	-	-	-	35,016	-	35,016
Issuance of common stock and reclassification of owner's net investment to deficit in connection with the Arrangement	11,487	51,613	-	(19,372)	(32,241)	-	-
Unrealized gain on translation of foreign operations	-	-	-	-	-	48	48
Balance, March 1, 2016	11,487	51,613	-	(19,372)	-	1,107	33,348
Net loss	-	-	-	(2,878)	-	-	(2,878)
Unrealized gain on translation of foreign operations	-	-	-	-	-	64	64
Balance, March 31, 2016	11,487	51,613	-	(22,250)	-	1,171	30,534
Net loss	-	-	-	(10,692)	-	-	(10,692)
Issuance of shares on acquisition	2,402	3,988	-	-	-	-	3,988
Future issuance of shares on acquisition	470	779	-	-	-	-	779
Shared-based option exercise	46	45	-	-	-	-	45
Issuance of warrants	-	-	211	-	-	-	211
Share-based compensation expense	-	-	148	-	-	-	148
Unrealized losses on translation of foreign operations	-	-	-	-	-	(7)	(7)
Balance, December 31, 2016	14,405	56,425	359	(32,942)	-	1,164	25,006
Net loss	-	-	-	(3,193)	-	-	(3,193)
Share-based compensation expense	-	-	77	-	-	-	77
Unrealized gain on translation of foreign operations	-	-	-	-	-	2	2
Balance, March 31, 2017	**14,405**	**56,425**	**436**	**(36,135)**	-	**1,166**	**21,892**

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)	***Notes***	**Three Months ended March 31, 2017** **$**	Three Months ended March 31, 2016 $
OPERATING ACTIVITIES			
Net loss from continuing operations		**(3,130)**	(4,953)
Net loss from discontinued operations		**(63)**	(1,105)
Items not involving current cash flows:			
Depreciation and amortization	*8, 9, 15*	**281**	9
Equity-settled share-based compensation	*13*	**77**	29
Unrealized foreign exchange losses		**31**	519
Inventory write-down	*6*	**(24)**	340
Fixed asset impairment		**-**	27
Accretion on fair value of inventory		**371**	-
Accretion and amortization of debt premium	*10, 11*	**(98)**	7
		(2,555)	(5,127)
Net change in non-cash working capital	*16*	**(961)**	(2,116)
CASH USED IN OPERATING ACTIVITIES		**(3,516)**	(7,243)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*8*	**(43)**	-
CASH USED IN INVESTING ACTIVITIES		**(43)**	-
FINANCING ACTIVITIES			
Additional net investment from Nuvo prior to the Arrangement		**-**	4,801
Cash transferred from Nuvo per the Arrangement	*1*	**-**	35,016
Payments under other obligations related to previous acquisition by INTEGA	*11*	**(1,000)**	-
Payments under long-term consulting agreement	*11*	**-**	(53)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(1,000)**	39,764
Effect of exchange rate changes on cash		**(27)**	(405)
Net change in cash during the period		**(4,586)**	32,116
Cash, beginning of period		**9,807**	478
CASH, END OF PERIOD		**5,221**	32,594
Interest paid [(i)]		**103**	-
Interest received [(i)]		**44**	9

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

See accompanying Notes.

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

1. CORPORATE INFORMATION

Crescita Therapeutics Inc. (Crescita or the Company) is a Canadian commercial dermatology company with a portfolio of non-prescription skincare products and prescription drug products for the treatment and care of skin conditions and diseases and their symptoms. Crescita owns multiple proprietary drug delivery platforms that support the development of patented formulations that can facilitate the delivery of active drugs into or through the skin. On September 1, 2016, the Company acquired INTEGA Skin Sciences Inc. (INTEGA) and discontinued the operations of the Immunology Group (see Note 5, *Discontinued Operations*). The Company's registered office is located at 7560 Airport Road, Unit 10, Mississauga, Ontario, L4T 4H4.

Reorganization

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

Prior to the Reorganization, Nuvo operated two distinct business units: Nuvo and Crescita. Nuvo is a commercial healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Crescita is a commercial dermatology business that operated two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The Immunology Group had two commercial products and is presented as discontinued operations in these Condensed Consolidated Interim Financial Statements; therefore, the Company is reporting the entire business as one segment.

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

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

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

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its Condensed Consolidated Interim Financial Statements in accordance with IAS 34 - *Interim Financial Reporting* (IAS 34). Accordingly, these Condensed Consolidated Interim Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual Restated Consolidated Financial Statements of the Company for the year ended December 31, 2016, which are available on SEDAR at www.sedar.com.

These Condensed Consolidated Interim Financial Statements were issued and effective as at May 15, 2017, the date the Board of Directors approved these Condensed Consolidated Interim Financial Statements.

3. GOING CONCERN ASSUMPTION

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

As at March 31, 2017, the Company had an accumulated deficit of $36.1 million including a net loss of $3.2 million for the three months ended March 31, 2017.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those followed in the most recent annual Restated Consolidated Financial Statements for the year ended December 31, 2016. The policies applied in these Condensed Consolidated Interim Financial Statements are based on International Financial Reporting Standards (IFRS).

Basis of Measurement

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

Use of Estimates and Judgments

The preparation of financial statements in accordance with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these Condensed Consolidated Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material.

Key areas of estimation or use of managerial assumptions have been applied on a basis consistent with those described in the most recent annual Restated Consolidated Financial Statements and include corporate allocations resulting from the Reorganization (see Note 20, *Related Party Transactions)* and acquisition accounting.

Basis of Consolidation

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

	March 31, 2017	December 31, 2016
INTEGA Skin Sciences Inc.	**100%**	100%
Nuvo Research America, Inc. and its subsidiaries: Nuvo Research US, Inc., ZARS Pharma, Inc., and ZARS (UK) Limited	**100%**	100%
Dimethaid Immunology Inc.	**100%**	100%
Nuvo Research AG and its subsidiary:[(i)] Nuvo Research GmbH	**100%**	100%

[(i)] On July 11, 2016, the Company sold its German manufacturing operation (see Note 5, *Discontinued Operations*).

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

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee. 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* 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 annual Consolidated Financial Statements.

IFRS 15 - *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently in the process of assessing its contracts and based on progress to-date, the Company expects to complete this assessment by the third quarter of 2017.

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 annual 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 annual Consolidated Financial Statements.

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

The Company assesses the impact of adoption of future standards on its annual Consolidated Financial Statements, but does not anticipate significant changes in 2017.

5. DISCONTINUED OPERATIONS

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

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

Operating results have been restated to reflect the Immunology Group as a discontinued operation. Accordingly, the Immunology Group is no longer presented in Note 19, *Segmented Information*.

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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
REVENUE		
Product sales	**-**	136
Total revenue	**-**	136
OPERATING EXPENSES		
Cost of goods sold	**-**	469
Research and development expenses	**(2)**	675
Selling, general and administrative expenses	**65**	79
Total operating expenses	**63**	1,223
OTHER EXPENSES		
Foreign currency loss (gain)	**-**	(9)
Impairment of property, plant and equipment (Note 8)	**-**	27
NET LOSS FROM DISCONTINUED OPERATIONS	**(63)**	(1,105)
Net loss from discontinued operations per common share		
- basic and diluted	**$(0.00)**	$(0.10)
Weighted average number of common shares outstanding (in thousands)		
- basic and diluted	**13,935**	11,294

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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Cash used in operating activities	**(46)**	(1,421)
Cash used in investing activities	**-**	-
Cash used in financing activities	**-**	-
Net cash outflow	**(46)**	(1,421)

6. INVENTORIES

Inventories consist of the following as at:

	March 31, 2017	December 31, 2016
	$	$
Raw materials	**2,362**	1,332
Work-in-process	**420**	422
Finished goods	**1,541**	1,228
	4,323	2,982

During the three months ended March 31, 2017, inventories in the amount of $0.6 million [March 31, 2016 - $nil million] were recognized in cost of goods sold.

During the three months ended March 31, 2017, there were no finished goods related to continuing operations [March 31, 2016 - $nil] that were written down. There were $24 reversals of prior write-downs of finished goods during the three months ended March 31, 2017. There were no reversals of prior write-downs during the three months ended March 31, 2016.

7. OTHER CURRENT ASSETS

Other current assets consisted of the following as at:

	March 31, 2017	December 31, 2016
	$	$
Deposits	**66**	298
Other receivables	**574**	592
Research and development supplies	**66**	74
Prepaid expenses	**307**	389
	1,013	1,353

8. PROPERTY, PLANT AND EQUIPMENT

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

	Buildings	Leasehold Improvements	Furniture and Fixtures	Computer Equipment and Software	Production Laboratory and Other Equipment	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2016	-	479	184	1,205	754	2,622
Additions	-	-	-	-	43	43
Balance, March 31, 2017	**-**	**479**	**184**	**1,205**	**797**	**2,665**
Accumulated depreciation						
Balance, December 31, 2016	-	135	158	871	648	1,812
Depreciation expense	-	17	1	32	7	57
Balance, March 31, 2017	**-**	**152**	**159**	**903**	**655**	**1,869**
Net book value as at December 31, 2016	-	344	26	334	106	810
Net book value as at March 31, 2017	**-**	**327**	**25**	**302**	**142**	**796**

9. INTANGIBLE ASSETS

Intangible assets consist of the following as at:

	Product Brands and Formulations	Customer Relationships	License Agreement	Total
Cost	**$**	**$**	**$**	**$**
Balance, December 31, 2016	6,740	3,050	350	10,140
Balance, March 31, 2017	**6,740**	**3,050**	**350**	**10,140**
Accumulated amortization				
Balance, December 31, 2016	187	102	12	301
Amortization expense	140	76	8	224
Balance, March 31, 2017	**327**	**178**	**20**	**525**
Net book value as at December 31, 2016	6,553	2,948	338	9,839
Net book value as at March 31, 2017	**6,413**	**2,872**	**330**	**9,615**

10. LONG-TERM DEBT

Long-term debt consists of the following as at:

	March 31, 2017	December 31, 2016
	$	$
Knight loan – principal	**6,841**	6,841
Knight loan – unamortized premium	**1,218**	1,323
	8,059	8,164
Less current portion	**915**	723
Long-term balance	**7,144**	7,441

The Company has a loan with Knight Therapeutics Inc. (Knight) in conjunction with an acquisition made in 2016. The loan is 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. These restricted funds are held as short-term investments and redeemable within one year. Principal payments commenced January 1, 2017 and the loan matures on December 31, 2021. Amortization of the loan premium for the three months ended March 31, 2017 represented $0.1 million.

11. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	March 31, 2017	December 31, 2016
	$	$
Payable relating to a previous acquisition by INTEGA	**979**	1,972
Contingent milestone payments relating to the acquisition of INTEGA	**63**	63
	1,042	2,035
Less current portion	**1,042**	1,000
Long-term balance	**-**	1,035

12. SHARE CAPITAL

Authorized

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

Issued and Outstanding

The following table summarizes Crescita's outstanding common shares:

	Number	**Amount**
	000s	**$**
Balance, December 31, 2016	13,935	55,646
Outstanding shares balance, March 31, 2017	**13,935**	**55,646**
Future shares to be issued as consideration	470	779
	14,405	**56,425**

An additional 469,473 common shares, valued at $0.8 million, are to be issued in 2017 as consideration for the acquisition of INTEGA.

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

The following is a summary of share-based compensation activity for the three months ended March 31, 2017 and 2016, which should be read in conjunction with the Company's annual Restated Consolidated Financial Statements for the year ended December 31, 2016:

Share Option Plan

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

	Number of Options	**Range of Exercise Price**	**Weighted Average Exercise Price**
	000s	**$**	**$**
Balance, December 31, 2016	1,353	0.43 – 3.55	1.51
Forfeited	(10)	1.23	1.23
Expired	(5)	1.23	1.23
Balance, March 31, 2017	**1,338**	**0.43 – 3.55**	**1.51**

The following table summarizes the outstanding and exercisable Crescita options held by directors, officers, employees and consultants as at March 31, 2017:

	Outstanding			Exercisable	
Exercise Price Range	Number of Options	Remaining Contractual Life	Weighted Average Exercise Price	Vested Options	Weighted Average Exercise Price
$	000s	years	$	000s	$
0.43 - 0.74	244	7.0	0.66	203	0.64
1.21 - 1.42	201	5.0	1.35	192	1.35
1.63 - 1.91	843	7.3	1.70	348	1.77
3.12 - 3.55	50	2.9	3.16	50	3.16
	1,338	**6.8**	**1.51**	**793**	**1.47**

Share Appreciation Rights Plan

The following is a schedule of Crescita's Share Appreciation Rights (SARs) as at:

	Number of SARs	Fair Values	Accrual
	000s	$	$
Balance, December 31, 2016[(i)]	417	0.00 - 0.81	229
Settled	(246)	0.40 - 0.74	(129)
Adjustment to market value	-	-	(48)
Balance, March 31, 2017	**171**	**0.00 - 0.57**	**52**

As at March 31, 2017, a SARs accrual of $0.1 million was included in Crescita's accounts payable and accrued liabilities [December 31, 2016 - $0.2 million].

Fair values of each tranche issued and outstanding as at March 31, 2017 were measured using the Black-Scholes option pricing model with the following inputs:

SARs Outstanding	Grant Date	Exercise Price	Risk-free Interest Rate	Expected Life	Volatility Factor	Fair Values
000s		$	%	years	%	$
67	April 4, 2014	0.74	0.75	1	46	0.38
104	January 7, 2015	1.58	0.75	1 - 2	46 - 127	0.05 - 0.57

Warrants

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

	Number of Warrants	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, December 31, 2016	458	2.44	2.44
Balance, March 31, 2017	**458**	**2.44**	**2.44**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. There were no warrants granted during the three months ended March 31, 2017.

Nuvo Deferred Share Unit Plan

Effective March 1, 2016, Crescita does not have a Deferred Share Unit (DSU) Plan for directors or employees.

Prior to the Arrangement, all costs related to the DSU Plans were allocations from Nuvo and the portion of Nuvo's liability related to Crescita was recorded in accounts payable and accrued liabilities.

Summary of Share-based Compensation

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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Stock option compensation expense	**77**	29
DSUs – adjustment to market value	**-**	111
SARs compensation expense	**(48)**	342
Share-based compensation expense	**29**	482
Recorded in the Consolidated Interim Statements of Loss and Comprehensive Loss as follows:		
Research and development expenses	**-**	65
Selling, general and administrative expenses	**29**	417
Share-based compensation expense	**29**	482

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

14. NET LOSS PER COMMON SHARE

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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	000s	000s
Common shares issued and outstanding (Note 12)	**13,935**	11,487
Stock options outstanding (Note 13)	**1,338**	751
SARs liability[(i)] (Note 13)	**171**	495
Warrants (Note 13)	**458**	-
	15,902	12,733

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

Under the terms of the Arrangement (see Note 2, *Basis of Preparation*), 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.

15. EXPENSES BY NATURE

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

(a) Employee costs from continuing operations:

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Short-term employee wages, bonuses and benefits	**1,813**	1,037
Share-based payments (Note 13)	**49**	482
Post-employment benefits	**-**	6
Termination benefits	**66**	-
Total employee costs	**1,928**	1,525
Included in:		
Cost of goods sold	**318**	-
Research and development expenses	**264**	371
Selling, general and administrative expenses	**1,346**	1,154
Total employee costs	**1,928**	1,525

(b) Depreciation and amortization from continuing operations:

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Research and development expenses	**-**	-
Selling, general and administrative expenses [(i)]	**281**	13
Total depreciation and amortization	**281**	13

[(i)] Selling, general and administration expenses included $0.2 million of amortization of intangible assets for the three months ended March 31, 2017 [March 31, 2016 - $nil].

16. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Accounts receivable	**394**	(753)
Inventories	**(1,688)**	(21)
Other current assets	**340**	(429)
Accounts payable and accrued liabilities	**(7)**	(913)
Net change in non-cash working capital	**(961)**	(2,116)

17. COMMITMENTS

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

	Purchase Obligations	Operating Leases	Total
	$	$	$
2018	2,038	538	2,576
2019	2,473	394	2,867
2020	3,213	397	3,610
2021	-	400	400
2022	-	402	402
2023 and thereafter	-	605	605
	7,724	**2,736**	**10,460**

For the three months ended March 31, 2017, payments under operating leases totalled $0.1 million [March 31, 2016 - $44, including 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 Condensed Consolidated Interim Financial Statements with respect to these indemnification obligations.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

Level 1 - determined by reference to quoted prices in active markets for identical assets and liabilities.
Level 2 - include those where valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.
Level 3 - valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

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

	March 31, 2017			December 31, 2016		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring fair value measurements						
Contingent milestone payments relating to the acquisition of INTEGA (Note 11)	**-**	**-**	**63**	-	-	63
SARs (Note 13)	**-**	**52**	**-**	-	229	-

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 three months ended March 31, 2017 and 2016.

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

Level 2 liabilities include obligations of the Company for the SARs Plan described in Note 13, *Share-based Compensation and Other Share-based Payments*. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model.

Level 3 liabilities include obligations of the Company for the milestone payments relating to the acquisition of INTEGA. 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.

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 $2.6 million that are due in less than one year and $7.9 million that is payable from 2019 to 2024.

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 March 31, 2017, 7% of accounts receivable related to customers outside North America and the E.U. [December 31, 2016 - 9%].

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

	March 31, 2017	December 31, 2016
	$	$
Current	**850**	476
0-30 days past due	**229**	783
31-60 days past due	**55**	235
61-90 days past due	**38**	143
Over 90 days past due	**114**	42
	1,286	1,679

As at March 31, 2017, the allowance for doubtful accounts receivable was $0.1 million [December 31, 2016 - $0.1 million].

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	
	March 31, 2017	December 31, 2016	**March 31, 2017**	December 31, 2016
	€	€	**$**	$
Cash	**25**	50	**284**	1,680
Accounts receivable	**-**	-	**215**	66
Other current assets	**22**	126	**19**	90
Accounts payable and accrued liabilities	**(137)**	(51)	**(697)**	(522)
Other short-term obligations	**-**	(4)	**-**	(35)
	(90)	121	**(179)**	1,279

Based on the aforementioned net exposure as at March 31, 2017, 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 $24 on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $13 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 were discontinued on July 11, 2016 (see Note 5*, Discontinued Operations*). In terms of the U.S. dollar, the Company has four significant exposures: its net investment and net cash flows in its U.S. operations, its product sales to U.S. customers, royalties from licensing agreement with Galderma S.A. (Galderma) regarding Pliaglis and the cost of running trials and other studies at U.S. sites.

The Company does not actively hedge any of its foreign currency exposures given the relative risk of currency versus other risks the Company faces and the cost of establishing the necessary credit facilities and purchasing

financial instruments to mitigate or hedge these exposures. As a result, the Company does not attempt to hedge its net investments in foreign subsidiaries.

19. SEGMENTED INFORMATION

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

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

As a result of discontinuing the operations of the Immunology Group (see Note 5, *Discontinued Operations*), the Company now operates in one segment.

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

	Three Months ended March 31, 2017	Three Months ended March 31, 2016
	$	$
Canada	**1,558**	53
Europe	**22**	42
Other foreign countries	**172**	-
U.S.	**328**	-
	2,080	95

As at March 31, 2017, all the Company's PP&E was located in Canada.

20. RELATED PARTY TRANSACTIONS

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

Subsequent to the Reorganization, Nuvo and the Company were related parties due to shared key management personnel. Effective March 1, 2016, Nuvo and the Company entered into a reciprocal transitional services agreement with a term of 18 months. Under the transitional services agreement, (a) Nuvo provides Crescita corporate-level employee services, quality assurance support and facility rental, and (b) Crescita provides Nuvo corporate-level employee services, R&D support and facility and equipment rental.

As a result of the restructuring of key management personnel in 2017, Nuvo and Crescita are no longer related parties.

For the three months ended March 31, 2016, services provided to Nuvo were $53 and services received from Nuvo were $62.

21. SUBSEQUENT EVENT

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