Nuvo Pharmaceuticals Inc. Third Quarter Report 2016

November 10, 2016

Dear Nuvo Shareholder -

This letter is to provide you with our usual quarterly update on our progress at Nuvo Pharmaceuticals Inc. (Nuvo Pharma) (TSX:NRI), including our most recent financial results that we released November 10th, 2016 after the markets closed.

This is the second full quarter Nuvo Pharma has reported financial results as a standalone company. As most of you know, effective March 1st, 2016, the former Nuvo Research Inc. spun out our research and development assets and drug development programs to Crescita Therapeutics Inc. (Crescita) (TSX:CTX). We then changed our name from Nuvo Research Inc. to Nuvo Pharmaceuticals Inc. to reflect our focus on commercial products and profitability without the significant expenses of developing drug candidates.

The key driver to Nuvo Pharma's business, at least in the short-term, continues to be the sale of our lead prescription topical non-steroidal anti-inflammatory drug (NSAID), Pennsaid 2%, for treating the pain of osteoarthritis of the knee, in the United States by our partner, Horizon Pharma plc (Horizon) (NASDAQ:HZNP). Horizon has continued to do an excellent job since they took over the marketing of Pennsaid 2% on January 1, 2015 from our former U.S. licensee. Nuvo Pharma earns its revenue by selling commercial bottles and physician samples of Pennsaid 2% to Horizon under an exclusive supply agreement that extends to 2029. Pennsaid 2% is manufactured at our facility in Varennes, Québec.

In the third quarter, U.S. prescriptions of Pennsaid 2% were 103,000 compared to 97,000 in Q3 2015. For the first 9 months of 2016, U.S. prescriptions of Pennsaid 2% were 338,000 compared to 204,000 for the first 9 months of 2015, an increase of over 66%. As we have mentioned in the last two quarterly Letters to Shareholders, we don't expect U.S. prescription growth of Pennsaid 2% to be completely linear. Many drug products experience seasonality and periods of slower growth. For example, the summer months are often slow prescription months due to doctor, patient and drug sales representative holidays. Per IMS, bottles of Pennsaid 2% dispensed to patients in the U.S. peaked in May when they were over 10,000 per week on average. They declined in June and again in July when they fell to 8,700 per week on average. Prescriptions filled and bottles of Pennsaid 2% sold in the U.S. have steadily increased each month since then, reaching an average of approximately 9,500 bottles sold per week in October.

We have had a number of discussions with Horizon about what they see as the growth prospects for Pennsaid 2%. They have advised us that they expect year-over-year growth for at least the next few years. It is important to note that Pennsaid 2% is now Horizon's largest selling product representing approximately 31% of its most recently reported net sales results for the nine months ended September 30, 2016. Horizon promotes Pennsaid 2% and two other products with 360 sales representatives who detail Pennsaid 2% on each physician call. Horizon continues to heavily sample Pennsaid 2% by distributing sample sachets of Pennsaid 2% supplied by Nuvo to doctors who give them to patients to try. Both these practices suggest that Horizon sees Pennsaid 2% as being a growth product. U.S. research analysts who cover Horizon are also predicting that prescriptions should continue to grow.

As mentioned in previous communications, there are timing differences between when doctors write prescriptions for patients and when we supply bottles of Pennsaid 2% to Horizon under our supply agreement. As a result, there may not be a correlation in any particular quarter between reported prescriptions filled by U.S. pharmacies and bottles sold by Nuvo Pharma to Horizon. Now that we have been supplying Pennsaid 2% to Horizon for 22 months, we also better understand their stocking strategy and practices. When Pennsaid 2% was launched by Horizon in January of 2015, the immediate and growing market acceptance made it challenging to manufacture and supply enough product to meet Horizon's increasing demand; however, Nuvo was successful in fulfilling these requirements. In the second half of 2015 and the first half of 2016, Horizon built an inventory bank, in order to better manage its supply chain and protect against supply disruption contingencies. We now believe that in the latter half of 2015 and the first 2 quarters of 2016, we produced more commercial bottles of Pennsaid 2% than were dispensed to U. S. patients as Horizon built up its inventory. Based on our discussions with Horizon, we believe that they have achieved their internal inventory targets although it is possible that in coming quarters, there may be Horizon inventory increases or decreases that could impact our production in that quarter positively or negatively.

The combination of timing differences between our production and Horizon sales, Horizon inventory fluctuations and the fact that a significant portion of our sales to Horizon is product samples, makes Nuvo's quarterly revenue an imperfect proxy for Pennsaid 2% growth in the market. I always suggest to investors that the best indicator for Nuvo revenue growth from the U.S. is Pennsaid 2% prescription data trends. We post prescription data on our website in our investor presentation and update it each month. If Pennsaid 2% prescriptions are trending upward (keeping in mind the seasonality that I mentioned), Nuvo's sales to Horizon should follow. That is the general prescription trend that we have witnessed since Horizon's launch in January 2015 and that we have specifically seen over the past 3 months.

Total revenue(1), which is comprised of product sales, royalties and contract revenue was $5.5 million in the third quarter of 2016 and was consistent with the third quarter of last year. For the nine months ended September 30, 2016, total revenue was $21.5 million compared to $12.8 million in the comparable period in 2015, an increase of 68%.

The gross margin on product sales in the quarter was $2.5 million or 49% compared to $2.5 million or 50% in the third quarter of 2015. For the nine months ended September 30, 2016, the gross margin on product sales was $10.8 million or 55% compared to a gross margin of $4.8 million or 42% for the comparative nine-month period.

We believe that Adjusted EBITDA[(2)] is a useful measure from which to determine our ability to generate cash available for working capital, capex and income taxes. Adjusted EBITDA was $1.4 million for the quarter compared to $2.6 million in the comparative period in 2015. For the current nine-month period, Adjusted EBITDA was $7.6 million compared to $4.0 million in the comparative period in 2015, an increase of 90%.

We had cash and short-term investments of $17.4 million at the end of the quarter, an increase of $1.5 million from the end of Q2 and no debt.

While our revenue was down in Q3 from Q1 and Q2 of this year, we still earned $1.4 million of Adjusted EBITDA. These results include about $0.8 million of one-time expenses - approximately $0.4 million in R&D costs related to our Phase 3 study of Pennsaid 2% that we have now commenced in Germany (see below) and approximately $0.4 million in professional fees that relate to a merger transaction that we are no long pursuing. This quarter demonstrates that even at lower revenue levels, Nuvo continues to be a profitable company with attractive gross margins that is generating cash.

Horizon has done a great job growing sales of Pennsaid 2% in the U.S. That growth has significantly increased Nuvo's shareholder value. We are confident in Pennsaid 2%'s ongoing growth prospects but also recognize the need to diversify our business, with other products, partners and new geographies. Therefore, a top priority of our management team is to diversify and expand Nuvo's revenue streams. We plan to do this in a number of ways.

First, our goal is to build off of the success of Pennsaid 2% in the U.S. and make Pennsaid 2% a global brand. We are currently meeting with a number of potential international licensing partners. The prospective partners that we are in active discussions with range from those with a global reach to those with a regional or national focus. We have learned from our U.S. experience that a good partner on paper doesn't necessarily translate to revenue and profits if they aren't committed to the product. Our priority is to ensure that our partners have the marketing capability, desire and commitment to make Pennsaid 2% the dominant topical pain product in their respective territories. We expect to complete licensing transactions commencing in early 2017 which means that revenue from these transactions should start to benefit our financial results in 2018. Our ideal transaction structure includes modest upfront payments, compensation for our technology by way of a licensing agreement that includes royalty payments and an exclusive manufacturing agreement. The manufacturing component is important to us given that we are currently operating our Varennes facility at approximately 35% capacity – which means that most of the margin from incremental product sales to licensing partners drops to our bottom line.

Currently, Pennsaid 2% has been approved for marketing only in the U.S. Many jurisdictions will base their regulatory approval of Pennsaid 2% on its U.S. Food and Drug Administration (FDA) approval and won't require additional clinical trials. However, for Canada, the E.U. and Australia, we need an additional successful Phase 3 trial to support our applications for regulatory approval. On October 17th, we announced that we had received approval from the German Federal Institute for Drugs and Medical Devices and the Ethical Review Committee to conduct the required Phase 3 trial in Germany to study Pennsaid 2% for the treatment of acute ankle sprains. The trial has now commenced and we expect to have topline results available in Q2 of next year.

We are also active in exploring product acquisition opportunities that can add to our revenue and enhance our profitability. Finally, I should comment on the approximately $0.4 million in professional fee expenses that I mentioned relating to a merger transaction that we are no longer pursuing. While our primary strategy is to execute our internal plans to grow Nuvo through out-licensing Pennsaid 2% and acquiring complimentary products, we do take seriously our obligation to increase shareholder value. While we are not currently in active merger discussions with any party, we will be opportunistic if we see transactions that can accelerate achievement of our objective to diversify Nuvo's revenue streams, increase our profitability and enhance shareholder value. Irrespective of how we grow Nuvo, our strategy is still to keep Nuvo Pharma a pure-play healthcare revenue business with growing revenues and profits.

In closing, I would like to thank our employees for their continuing dedication, our board of directors for their support and advice and most of all you, our shareholders, for your patience and support. Together, we own an exciting company with tremendous prospects. As always, if you have any questions or comments about the business, please don't hesitate to call or email us. We look forward to hearing from you. Until next time.

John London
President & Chief Executive Officer

(1) The financial information presented herein reflects results from continuing operations with Nuvo's previously disclosed segment, Crescita, presented as a discontinued operation.
(2) Adjusted EBITDA is a non-IFRS financial measure defined by the Company as net income from continuing operations before net interest income, taxes and depreciation and stock-based compensation.

Management's Discussion and Analysis (MD&A)

November 10, 2016 / The following information should be read in conjunction with the Nuvo Pharmaceuticals™ Inc. (Nuvo or the Company) Consolidated Financial Statements for the year ended December 31, 2015 which were prepared in accordance with International Financial Reporting Standards (IFRS) and filed on SEDAR on February 17, 2016 and the Management Information Circular of Nuvo Research Inc. dated December 31, 2015 (Nuvo Reorganization Circular). 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.

As part of the Corporate Reorganization (described below), Nuvo Research Inc. changed its name to "Nuvo Pharmaceuticals Inc."

Forward-looking Statements

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

Corporate 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, the Company and Crescita Therapeutics Inc. (Crescita). Detailed information regarding the Reorganization and its effects, including a description of certain risks and uncertainties in respect of the Reorganization and the operation of the Company and Crescita as separate publicly traded companies, are included in the Nuvo Reorganization Circular that is available under the Company'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. At the time of the Reorganization, Crescita was a drug development business that operated two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The TPT Group had one commercial product, a pipeline of topical and transdermal products focusing on pain and dermatology and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The Immunology Group had two commercial products and is now being wound down.

The information presented herein reflects the completion of the Reorganization, with Crescita presented as a discontinued operation. Accordingly, the operating results have been restated to reflect Crescita as a discontinued operation.

Key Developments

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

Pennsaid® 2%

- U.S. prescriptions of Pennsaid 2% were 103,000 in the third quarter of 2016 compared to 97,000 prescriptions in the third quarter of 2015 according to IMS Health. For the first nine months of 2016, U.S. prescriptions of Pennsaid 2% were 338,000 compared to 204,000 for the first nine months of 2015.

- In November, the Company commenced a new placebo-controlled, multi-centre Phase 3 trial (2016 Pennsaid 2% Trial) in Germany to study Pennsaid 2% for the treatment of acute ankle sprains. Topline results of the Trial are expected to be available in Q2 2017. The 2016 Pennsaid 2% Trial will be conducted to support regulatory applications for marketing approval of Pennsaid 2% for the treatment of acute pain in the E.U., Canada and Australia.

Management Appointment

- In September, the board of directors of the Company appointed Mary-Jane Burkett to the position of Vice President and Chief Financial Officer. Ms. Burkett joined Nuvo in 2012 and most recently was the Corporate Controller.

Overview

Background

Nuvo is a publicly traded, Canadian commercial healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Nuvo has three commercial products that are available in a number of countries: Pennsaid 2%, Pennsaid and the heated lidocaine/tetracaine patch (HLT Patch).

As of September 30, 2016, the Company employed a total of 44 full-time employees at its manufacturing facility in Varennes, Québec and its head office in Mississauga, Ontario.

Pennsaid 2%

Pennsaid 2% is a follow-on product to original Pennsaid. Pennsaid 2% is a non-steroidal anti-inflammatory drug (NSAID) containing 2% diclofenac sodium compared to 1.5% for original Pennsaid. It is more viscous than original Pennsaid, is supplied in a metered dose pump bottle and has been approved in the U.S. for twice daily dosing compared to four times a day for Pennsaid. This provides Pennsaid 2% with advantages over Pennsaid and other competitor products and with patent protection.

The following table summarizes where the Company's partners have commercialized Pennsaid 2% or are working to obtain regulatory approval:

Brand	Therapeutic Area	Licensee or Distributor	Licensed Territories	Intellectual Property
Pennsaid 2%	Osteoarthritis of the knee	Horizon Pharma plc	United States	Eighteen granted U.S. patents listed in the FDA's Orange Book with latest expiry in 2030.
		Paladin Labs Inc.[1]	Canada	One patent granted in Canada expiring in 2027. Pending patent application through 2033.
		NovaMedica LLC[1]	Russia; some Community of Independent States	One patent granted in Russia expiring in 2027. Pending patent application through 2033.

[1] Partner is working to obtain regulatory approval in licensed territory.

Pennsaid 2% was approved on January 16, 2014 in the U.S. for the treatment of the pain of osteoarthritis (OA) of the knee and is not currently approved for sale or marketing in any other jurisdiction. OA is the most common joint disease affecting middle-age and older people. It is characterized by progressive damage to the joint cartilage and causes changes in the structures around the joint. These changes can include fluid accumulation, bony overgrowth and loosening and weakness of muscles and tendons, all of which may limit movement and cause pain and swelling. In the U.S. market, the rights to Pennsaid 2% were sold to Horizon Pharma plc (Horizon) for US$45.0 million in October 2014. The Company earns revenue from product sales of Pennsaid 2% to Horizon under an exclusive manufacturing agreement that ends in 2029. In January 2015, Horizon launched its commercial sale and marketing of Pennsaid 2% in the U.S.

The following table summarizes additional development the Company is undertaking to expand the therapeutic area of Pennsaid 2%:

Product	Therapeutic Area	Stage of Development	Intellectual Property[1]
Pennsaid 2%	Acute strains and sprains	Phase 3 clinical trials	Patents granted in AU, CA, CH, DE, DK, FR, GB, GR, IN, IE, IL, IT, NL, HK, JP, MX, NZ, RU, ZA, expiring in 2027. Applications pending in 5 countries. Patent applications pending in AU, BR, CA, CL, CN, EP, HK, IL, JP, MX and RU through 2033.

[1] Region and country abbreviations defined as follows: Australia (AU), Brazil (BR), Canada (CA), Chile (CL), China (CN), Denmark (DK), Europe (EP), France (FR), Germany (DE), Great Britain (GB), Greece (GR), India (IN), Ireland (IE), Israel (IL), Italy (IT), Netherlands (NL), Hong Kong (HK), Japan (JP), Mexico (MX), New Zealand (NZ), Russian Federation (RU), South Africa (ZA), Switzerland (CH).

2015 Pennsaid 2% Phase 3 Clinical Trial Results

In July 2015, the Company commenced a Phase 3 clinical trial using Pennsaid 2% for the treatment of acute pain (2015 Pennsaid 2% Trial) to support regulatory approval applications for Pennsaid 2% in certain international jurisdictions. The 2015 Pennsaid 2% Trial enrolled 126 patients (the full analysis set or FAS) of which 116 patients followed the protocol (the per protocol group or PP). The patients enrolled in the 2015 Pennsaid 2% Trial applied either Pennsaid 2% or a placebo consisting of a topical vehicle that included all of the constituent ingredients of Pennsaid 2%, except its active ingredient diclofenac sodium, to their injured ankle twice a day for 8 days. Randomly assigned double-blind treatment was started after baseline evaluation within 12 hours after injury (Day 1); the patients returned to the investigational site for in-depth evaluation on days 3, 5 and 8 of treatment. Results were tabulated for both the FAS and PP groups.

Primary Endpoint

The primary endpoint for the 2015 Pennsaid 2% Trial was reduction in pain on movement (POM) at day 5 in the FAS group. On average, patients treated with Pennsaid 2% had a larger reduction in POM scores over the course of the study. For the FAS group, the difference vs. placebo was statistically significant on

the secondary time point on day 3 (p=0.0119), but not at the primary time point on day 5 (p=0.2430) or the secondary time point on day 8 (p=0.2603). In the PP group, which excluded those patients with a lower usage of medication than as set out in the 2015 Pennsaid 2% Trial protocol (9 patients excluded out of 126 for this reason), the Pennsaid 2% group showed a statistically significant improvement at both the primary time point (day 5 p=0.0416), as well as the secondary time points (day 3 p=0.0018 and day 8 p=0.0490).

Secondary Endpoints
The 2015 Pennsaid 2% Trial also included the measure of a number of secondary endpoints. These data are supportive of Pennsaid 2% being effective to treat ankle sprain injuries and specifically demonstrated the following outcomes:

Tenderness	Pennsaid 2% demonstrated a statistically significant reduction in tenderness compared to placebo in the FAS group at days 3, 5 and 8 with p-values of 0.0055, 0.0150 and 0.0104, respectively.
Ankle Function	Pennsaid 2% demonstrated a statistically significant increase in ankle function compared to placebo in the FAS group at days 3 and 8 with p-values of 0.0115 and 0.0232, respectively, but not at day 5 with a p-value of 0.1549.
Ankle Swelling	Pennsaid 2% demonstrated a statistically significant decrease in ankle swelling compared to placebo in the FAS group at days 3, 5 and 8 with p-values of 0.0020, 0.0018 and 0.0142, respectively.
Overall Assessment of Benefit and Satisfaction	Patients treated with Pennsaid 2% reported a statistically significantly higher level of satisfaction with and benefit of their treatment compared to placebo in the FAS group with a p-value of 0.0001 for the treatment benefit and a p-value of <0.0001 for satisfaction.

After reviewing the 2015 Pennsaid 2% Trial results in detail, the Company met with its consultants to determine what steps should be taken to obtain regulatory approval of Pennsaid 2% in Canada, Australia and the E.U. The Company determined that it would conduct another study similar to the 2015 Pennsaid 2% Trial (2016 Pennsaid 2% Trial), but with certain changes to the protocol and endpoints. The 2016 Pennsaid 2% Trial is being conducted in Germany and will enroll approximately 130 patients who have suffered a grade I or grade II ankle sprain as assessed by the investigator within 12 hours of injury. Patients will then be randomly assigned on a double-blind basis to an active arm or a placebo arm and will apply either Pennsaid 2% or a placebo consisting of a topical vehicle that includes all of the constituent ingredients of Pennsaid 2%, except its active ingredient diclofenac sodium, to their injured ankle twice a day for 8 days. The patients will return to the investigational site for in-depth evaluation on days 3, 5 and 8 of treatment. The primary endpoint for the 2016 Pennsaid 2% Trial will be reduction in POM at day 3. The 2016 Pennsaid 2% Trial will measure a number of secondary endpoints including tenderness, ankle function, ankle swelling, overall assessment of benefit and satisfaction and use of rescue medication. The 2016 Pennsaid 2% Trial commenced in November 2016. Topline results are expected to be available in Q2 2017.

Additional clinical and non-clinical trials may be required to support applications for the regulatory approval of Pennsaid 2% in other countries in which the Company, or other licensees and distributors, could potentially market the product. The Company was advised by regulatory authorities in Canada and the United Kingdom that the data from the Phase 2 trial conducted by its former U.S. licensee was insufficient to support approval of Pennsaid 2% in their respective countries and that additional clinical trials would be required. In addition, NovaMedica LLC advised the Company that their Pennsaid 2% clinical trial was successful and that they had submitted their application to obtain regulatory approval in Russia. There can be no assurance that the current trials will be sufficient for regulatory authorities in any jurisdiction or that all trials will yield successful results or that the required regulatory approvals will be obtained.

Pennsaid
Pennsaid, the Company's first commercial topical pain product, is used to treat the signs and symptoms of OA of the knee. Pennsaid combines the transdermal carrier (containing dimethyl sulfoxide, popularly known as DMSO), with diclofenac sodium, a leading NSAID and delivers the active drug through the skin at the site of pain. Pennsaid no longer has patent protection in the territories where it is currently marketed by the Company's partners. In Canada, Pennsaid is available by prescription only and multiple generic

versions of Pennsaid have launched that have negatively impacted sales. In the other regions where Pennsaid is available, a prescription is not required (except the U.K.).

Pennsaid Commercial Partners:
The following table summarizes where the Company's partners have commercialized Pennsaid or are working to obtain regulatory approval:

Brand	Therapeutic Area	Licensee or Distributor	Licensed Territories[1]
Pennsaid	Osteoarthritis of the knee	Paladin Labs Inc.	Canada
		Vianex S.A.	Greece
		Italchimici S.p.A.	Italy
		Movianto UK Limited	U.K.
		NovaMedica LLC	Russia; some Community of Independent States

[1] The Company's patents associated with Pennsaid have expired.

Heated Lidocaine/Tetracaine Patch
The HLT Patch is a topical patch that combines lidocaine, tetracaine and heat, using proprietary Controlled Heat-Assisted Drug Delivery (CHADD™) technology. The CHADD unit generates gentle heating of the skin and in a well-controlled clinical trial demonstrated that it contributes to the efficacy of the HLT Patch by improving the flux rate of lidocaine and tetracaine through the skin. The HLT Patch resembles a small adhesive bandage in appearance and is applied to the skin 20 to 30 minutes prior to painful medical procedures, such as venous access, blood draws, needle injections and minor dermatologic surgical procedures.

HLT Patch Commercial Partners:
The following table summarizes where the Company's partners have commercialized the HLT Patch or are working to obtain regulatory approval:

Brand	Therapeutic Area	Licensee or Distributor	Licensed Territories	Intellectual Property
Synera[2]	Local Dermal Analgesia (Patch)	Galen US Incorporated	United States	One granted U.S. patent listed in the FDA's Orange Book expiring in 2020. Method of manufacturing patent that expires 2019 (U.S.).
Rapydan[2]		Eurocept B.V.	Europe, Russia[1], Turkey[1], Israel[1] and People's Republic of China[1]	Granted European patent expiring in 2019. Method of manufacturing patents that expire 2020 (Europe).

[1] Partner is responsible for obtaining regulatory approval in licensed territory.
[2] Rapydan and Synera are the brand names for the HLT Patch in their respective jurisdiction.

The Company holds the sales and marketing rights for the HLT Patch in Mexico, South America, Australia, Africa and most regions in Asia, although it is not approved in any of these territories.

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

Manufacturing
The Company has a manufacturing facility in Varennes, Québec that produces Pennsaid, Pennsaid 2% and the bulk drug product for the HLT Patch. The Company manufactures these products for all of its global partners for all markets where the products are sold. The facility is in compliance with current Good Manufacturing Practices (GMP).

Litigation

From time-to-time, during the ordinary course of business, the Company may be threatened with, or may be 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.

Selected Financial Information

in thousands (except per share)

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Operations				
Product sales	**4,988**	5,047	**19,630**	11,502
Royalties	**323**	251	**766**	877
Contract revenue	**207**	211	**1,070**	422
Total Revenue	**5,518**	5,509	**21,466**	12,801
Total operating expenses	**4,362**	3,798	**15,348**	9,850
Other (income) loss	**(95)**	(398)	**448**	(683)
Income before income taxes	**1,251**	2,109	**5,670**	3,634
Income tax expense	**-**	-	**-**	7
Net income from continuing operations	**1,251**	2,109	**5,670**	3,627
Net loss from discontinued operations	**-**	(3,303)	**(3,180)**	(11,043)
Net income (loss)	**1,251**	(1,194)	**2,490**	(7,416)
Other comprehensive income (loss)	**2**	10	**46**	(47)
Total comprehensive income (loss)	**1,253**	(1,184)	**2,536**	(7,463)
Share Information				
Net income (loss) per share from continuing operations				
- basic	**$0.11**	$0.19	**$0.50**	$0.33
- diluted	**$0.10**	$0.19	**$0.49**	$0.32
Average number of common shares outstanding for the period				
- basic	**11,502**	10,941	**11,428**	10,892
- diluted	**11,810**	11,235	**11,690**	11,191

Financial Position	**As at September 30, 2016**	As at December 31, 2015
Cash	**$ 9,406**	$ 48,680
Short-term investments	**8,000**	-
Total assets	**26,346**	59,132
Other obligations, including current portion	**10**	235
Total liabilities	**5,443**	9,413
Total equity	**20,903**	49,719

Non-IFRS Financial Measures

The Company 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 the Company's performance and management from a financial and operational standpoint. Total operating expenses is defined as the sum of: cost of goods sold (COGS), research and development (R&D)

expenses, general and administrative (G&A) expenses and net interest income. EBITDA refers to net income from continuing operations determined in accordance with IFRS, before depreciation and amortization, net interest income and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Adjusted EBITDA refers to EBITDA plus stock-based compensation (SBC) expenses. Management believes Adjusted EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for working capital, capital expenditures and income taxes.

Fluctuations in Operating Results

The Company anticipates that its quarterly and annual results of operations will be impacted for the foreseeable future by several factors including: the level of Pennsaid and Pennsaid 2% product sales to the Company's customers, licensees and distributors, the timing and amount of royalties and other payments received pursuant to current and future collaborations and licensing arrangements, the progress and timing of expenditures related to R&D efforts for Pennsaid 2% and estimates used to allocate the Company's corporate overhead to Crescita. Due to these factors, the Company believes that the period-to-period comparisons of its operating results are not necessarily a good indicator of future performance.

Significant Transactions

2016

Corporate Reorganization

On March 1, 2016, Nuvo Research Inc. completed a corporate reorganization that separated 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.

Pennsaid 2% U.S. Supply Agreement

In connection with the October 2014 Pennsaid 2% U.S. Sale Agreement, the Company also entered into a long-term supply agreement with Horizon. Pursuant to the supply agreement, the Company agreed to supply Pennsaid 2% to Horizon from its Varennes, Québec manufacturing facility for commercialization in the U.S. The initial term of the supply agreement would have expired on December 31, 2022 and, unless terminated, would have automatically renewed for successive two-year terms, thereafter. In February 2016, the supply agreement was amended (Amended Supply Agreement) to extend the term of the agreement to December 31, 2029 and to introduce volume tiered pricing. The transfer price is subject to semi-annual adjustments based on Nuvo's raw material costs and annual adjustments based upon changes in a national manufacturing cost index for pharmaceutical products. The supply agreement may be terminated earlier by either party for any uncured material breach or other customary conditions. Under the Amended Supply Agreement, Nuvo is obligated to supply Pennsaid 2% to Horizon and Horizon is obligated to obtain 90% of its requirements for Pennsaid 2% from Nuvo. The supply agreement also provides for the selection and qualification of alternate suppliers of Pennsaid 2% and its active pharmaceutical ingredient (API). Following the approval by the U.S. Food and Drug Administration (FDA) of a selected alternate supplier, and subject to certain limitations, the Company is required to enter into a supply agreement with the alternate supplier with respect to Pennsaid 2% or its API. To the extent that maintaining regulatory approvals for an alternative supplier requires the Company to purchase minimum quantities of drug product or API from the alternate supplier, the Company is obligated to purchase such minimum quantities, subject to Horizon's obligation to reimburse the Company for any excess cost compared to the cost to otherwise obtain such drug product or API.

Results of Operations

Product Sales
in thousands

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Pennsaid 2%	**3,773**	4,967	**17,732**	9,308
Pennsaid	**1,215**	31	**1,533**	2,067
HLT bulk	**-**	49	**365**	127
Total product sales	**4,988**	5,047	**19,630**	11,502

Product sales which represent the Company's sales to its licensees and distributors were $5.0 million and $19.6 million for the three and nine months ended September 30, 2016 compared to $5.0 million and $11.5 million for the three and nine months ended September 30, 2015.

Pennsaid 2%

Under the terms of the October 2014 Pennsaid 2% U.S. Sale Agreement, the Company earns revenue from product sales of Pennsaid 2% to Horizon. All Pennsaid 2% product sales relate to the U.S. market, as the product has not received regulatory approval in any other territory.

Pennsaid 2% product sales were $3.8 million for the three months ended September 30, 2016 compared to $5.0 million for the three months ended September 30, 2015 and represent the Company's sales of the Pennsaid 2% commercial format and its physician sample format to Horizon. In both the current and comparative three month periods, product sales included $1.8 million of the physician sample format. Sales of the commercial format decreased to $2.0 million for the three months ended September 30, 2016 compared to $3.2 million for the three months ended September 30, 2015. The decrease in commercial format product revenues was attributable to volume-tiered pricing applied per the Company's supply contract with Horizon and a decrease in bottles shipped due to the achievement of certain inventory targets by Horizon. The $1.2 million decrease in Pennsaid 2% product sales in the current three-month period included a $12,000 foreign exchange loss.

Pennsaid 2% product sales were $17.7 million for the nine months ended September 30, 2016 compared to $9.3 million for the nine months ended September 30, 2015. The significant increase in Pennsaid 2% product sales is attributable to Horizon's efforts to sell Pennsaid 2% in the U.S. market. Sales of the sample and commercial format were $6.3 million and $11.4 million in the nine months ended September 30, 2016 compared to $3.8 million and $5.5 million in the comparative nine-month period. The $8.4 million increase in Pennsaid 2% product sales in the current nine-month period included a $0.8 million foreign exchange gain.

According to IMS Health, approximately 103,000 and 338,000 Pennsaid 2% prescriptions were dispensed in the three and nine months ended September 30, 2016 compared to 97,000 and 204,000 prescriptions in the three and nine months ended September 30, 2015.

Pennsaid
Product sales of Pennsaid were $1.2 million and $1.5 million for the three and nine months ended September 30, 2016 compared to $31,000 and $2.1 million for the three and nine months ended September 30, 2015.

Geographic Pennsaid Product Sales
in thousands

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Europe	**1,000**	31	**1,318**	1,619
Canada	**215**	-	**215**	448
Total Pennsaid product sales	**1,215**	31	**1,533**	2,067

The increase in Pennsaid sales in the three months ended September 30, 2016 was related to an increase in Pennsaid bottles shipped to the Company's partners in Canada, Italy and Greece. In the current nine-month period, the $0.5 million decrease in Pennsaid product sales mainly relates to a $0.2 million decrease in sales to the Company's Canadian partner due to generic competition in the Canadian market and a $0.7 million decrease in sales to the Company's partner in Greece, slightly offset by an increase in sales to the Company's partner in Italy. Geographically for the three and nine months ended September 30, 2016, sales in the E.U. were 82% and 86% of Pennsaid product sales [September 30, 2015 - 100% and 78%] and sales in Canada were 18% and 14% of Pennsaid product sales [September 30, 2015 - nil% and 22%].

HLT Bulk
HLT Bulk sales were $nil and $0.4 million for the three and nine months ended September 30, 2016 compared to sales of $49,000 and $0.1 million for the three and nine months ended September 30, 2015. Sales related to the bulk drug substance that is used in the manufacturing of the HLT Patch for both the U.S. and E.U. markets. The bulk drug substance is shipped to a contract manufacturing organization in the U.S. that manufactures the HLT Patch.

Significant Customers
As the Company sells product in a limited number of markets through exclusive agreements, it receives most of its product sales from a limited number of customers. Product sales, derived from the Company's current four largest customers are illustrated in the following table:

	Three Months ended September 30		Nine Months ended September 30	
in thousands, except percentages	**2016**	2015	**2016**	2015
Four largest customers	**$4,754**	$4,968	**$19,208**	$10,871
% of total product sales	**95%**	98%	**98%**	95%
Largest customer as % of total product sales	**76%**	98%	**90%**	81%

Other Revenue
in thousands

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Royalties	**323**	251	**766**	877
Contract revenue	**207**	211	**1,070**	422
	530	462	**1,836**	1,299

Royalties
The Company receives royalty revenue from: Paladin, its Canadian licensee for Pennsaid and the authorized generic of Pennsaid, Eurocept B.V. (Eurocept), its European licensee for Rapydan and Galen US Incorporated (Galen), its U.S. licensee for Synera. In addition, under the terms of a settlement agreement related to a patent infringement complaint filed by the Company and Mallinckrodt Inc. (Mallinckrodt), its former U.S. licensee for Pennsaid and Pennsaid 2%, the Company earned royalties from a generic company calculated at 10% of gross profits from their sales of a generic version of Pennsaid in the U.S. Following the first quarter of 2015, the Company was advised that the generic company had stopped production due to a manufacturing issue and has yet to restart production. Royalties from each licensee are determined using agreed upon formulas based on either a definition of the licensee's net sales or gross profits as defined in each agreement. The Company recognizes royalty revenue based on either the net sales or gross profits of each licensee.

Royalty revenue was consistent at $0.3 million for the three months ended September 30, 2016 and 2015. Royalty revenue decreased to $0.8 million for the nine months ended September 30, 2016 compared to $0.9 million for the nine months ended September 30, 2015. The decrease in the current nine-month period was attributable to lower royalties from Pennsaid of $0.3 million. In the U.S. market, the Company earned royalties in the comparative nine-month period from a generic version of Pennsaid. There were no royalties received in the nine months ended September 30, 2016 from sales of this generic, as it is currently not available in the U.S. due to a manufacturing issue. Partially offsetting the decrease in Pennsaid royalties was a $0.2 million increase in royalties from the HLT Patch primarily related to an increase in net sales by the Company's U.S. partner.

Contract Revenue
Contract revenue for three and nine months ended September 30, 2016 increased to $0.2 million and $1.1 million compared to $0.2 million and $0.4 million for the three and nine months ended September 30, 2015. The current three and nine-month periods included $0.1 million and $0.3 million of transitional services provided to Crescita as part of the Reorganization (See Corporate Reorganization). In both the current and comparative three and nine-month periods, the balance of revenues were primarily derived from contract services provided by the Company to its partners.

Operating Expenses
in thousands

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cost of goods sold	**2,535**	2,510	**8,829**	6,726
Research and development expenses	**394**	338	**813**	1,008
General and administrative expenses	**1,462**	1,067	**5,813**	2,520
Net interest income	**(29)**	(117)	**(107)**	(404)
Total operating expenses	**4,362**	3,798	**15,348**	9,850

Total operating expenses for the three and nine months ended September 30, 2016 were $4.4 million and $15.3 million, an increase from $3.8 million and $9.9 million for the three and nine months ended September 30, 2015.

Cost of Goods Sold
COGS was consistent at $2.5 million for the three months ended September 30, 2016 and 2015. Gross margin on product sales was $2.5 million or 49% for the three months ended September 30, 2016 versus $2.5 million or 50% for the three months ended September 30, 2015.

COGS for the nine months ended September 30, 2016 was $8.8 million compared to $6.7 million for the nine months ended September 30, 2015. COGS increased in the nine months ended September 30, 2016 due to increased product sales. Gross margin on product sales was $10.8 million or 55% for the nine

months ended September 30, 2016 compared to a gross margin of $4.8 million or 42% for the nine months ended September 30, 2015.

The Company's gross margin on product sales was impacted by the Canadian dollar versus the U.S. dollar, the currency in which it sources certain Pennsaid and Pennsaid 2% raw materials and sells Pennsaid 2%. In the current three and nine-months periods, a 10% appreciation in the Canadian dollar versus the U.S. dollar would have reduced gross margin by approximately $0.1 million and $0.4 million and a 10% depreciation in the Canadian dollar versus the U.S. dollar would have increased gross margin by approximately $0.1 million and $0.3 million.

Research and Development

R&D expenses were $0.4 million for the three months ended September 30, 2016 compared to $0.3 million for the three months ended September 30, 2015. The increase in spending in the three months ended September 30, 2016 related to the 2016 Pennsaid 2% Trial for the treatment of acute ankle sprains. In October 2016, the Company received approval from the German Federal Institute for Drugs and Medical Devices and Ethical Review Committee. See Overview – Pennsaid 2% for an overview of the 2016 Pennsaid 2% Trial. R&D expenses incurred in the three months ended September 30, 2015 related entirely to the 2015 Pennsaid 2% Trial. The 2015 Pennsaid 2% Trial did not meet its primary endpoint. See Overview – Pennsaid 2% for detailed results of the trial. In the three months ended September 30, 2016 and 2015, the Company's discontinued operations include $nil and $1.4 million of R&D expenses.

R&D expenses were $0.8 million for the nine months ended September 30, 2016 compared to $1.0 million for the nine months ended September 30, 2015. The decrease in spending in the nine months ended September 30, 2016 related to lower costs, as the Company completed and closed off its 2015 Pennsaid 2% Trial for the treatment of acute pain to support regulatory approval applications for Pennsaid 2% in international jurisdictions. The Company's discontinued operations include an allocation of $0.6 million and $7.1 million of R&D expenses for the nine months ended September 30, 2016 and 2015.

The Company's discontinued operations reflect Crescita on a combined carve-out basis as if it had always operated as a stand-alone entity. Crescita's R&D expenses included allocations of the Company's R&D expenses that the Company considers to be a reasonable reflection of the underlying nature of operations and utilization of services provided.

General and Administrative

G&A expenses were $1.5 million for the three months ended September 30, 2016 compared to $1.1 million for the three months ended September 30, 2015. In the current three-month period, a $0.4 million decrease in SBC was more than offset by $0.1 million for transition services fees provided by Crescita, $0.4 million of professional fees incurred by the Company for a merger transaction the Company is no longer pursuing and an increase in general corporate costs primarily related to the allocation of certain corporate G&A costs to Crescita in the comparative three-month period.

G&A expenses were $5.8 million for the nine months ended September 30, 2016 compared to $2.5 million for the nine months ended September 30, 2015. The increase in G&A expenses related to a $1.3 million increase in SBC primarily from the adjustment to market value for the outstanding share appreciation rights (SARs) as at September 30, 2016 and deferred share units (DSUs) as at March 1, 2016, $0.3 million for transition services provided by Crescita, $1.0 million of professional fees incurred by the Company primarily related to a merger transaction the Company is no longer pursuing and post-closing costs associated with the reorganization increase in corporate costs primarily related to the allocation of certain corporate G&A costs to Crescita in the comparative nine-month period.

The Company's discontinued operations reflect Crescita on a combined carve-out basis as if it had always operated as a stand-alone entity. In the three and nine months ended September 30, 2016, the Company's discontinued operations included $nil and $2.5 million of G&A expenses versus $2.0 million and $4.3 million in the three and nine months ended September 30, 2015. Crescita's G&A included allocations of the Company's corporate expenses that the Company considers to be a reasonable reflection of the underlying nature of operations and utilization of services provided.

Interest
Net Interest income was $29,000 and $0.1 million for the three and nine months ended September 30, 2016 compared to $0.1 million and $0.4 million for the three and nine months ended September 30, 2015. The decrease in interest income in the current three and nine-month periods related to the significantly lower cash balances due to the $35.0 million transfer of funds to Crescita as part of the Reorganization, slightly offset by interest earned on the $8.0 million of short-term investments.

Foreign Currency Gain (Loss)
The Company experienced a net foreign currency gain of $95,000 for the three months ended September 30, 2016 compared to a net foreign currency gain of $0.4 million for the three months ended September 30, 2015. In both the current and comparative quarter, the impact of a weaker Canadian dollar versus the U.S. dollar and euro increased the value of U.S. dollar and euro denominated cash, receivables, payables and other obligations.

For the nine months ended September 30, 2016, the Company experienced a net foreign currency loss of $0.5 million compared to a net foreign currency gain of $0.7 million in the comparative nine-month period. In the current nine-month period, 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. In the comparative nine-month period, the stronger U.S. dollar and euro, increased the value of U.S. dollar and euro denominated cash, receivables, payables and the company's other obligations.

Gain on asset disposal
The Company recognized a gain of $nil and $25,000 for the three and nine months ended September 30, 2016 due to a purchase credit received for fully depreciated manufacturing equipment. The Company has applied this credit to current capital expenditures.

Net Income (loss) and Total Comprehensive Income (loss)
in thousands

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income before income taxes from continuing operations	**1,251**	2,109	**5,670**	3,634
Income tax expense	**-**	-	**-**	7
Net income from continuing operations	**1,251**	2,109	**5,670**	3,627
Net loss from discontinued operations	**-**	(3,303)	**(3,180)**	(11,043)
Net income	**1,251**	(1,194)	**2,490**	(7,416)
Unrealized gains (losses) on translation of foreign operations	**2**	10	**46**	(47)
Total comprehensive income (loss)	**1,253**	(1,184)	**2,536**	(7,463)

Net Income from Continuing Operations
Net income from continuing operations was $1.3 million for the three months ended September 30, 2016 compared to $2.1 million for the three months ended September 30, 2015. The decrease in net income from continuing operations was primarily related to an increase in G&A expenses, a decrease in net interest income and a lower foreign exchange gain.

Net income from continuing operations was $5.7 million for the nine months ended September 30, 2016 compared to $3.6 million for the nine months ended September 30, 2015. In the nine months ended September 30, 2016, the increase in gross margin and decrease in R&D expenses was partially offset by an increase in G&A expenses, lower net interest income and an increase in foreign exchange losses.

Net Loss from Discontinued Operations

Prior to the Reorganization, Nuvo operated two distinct business units: Nuvo and Crescita. Crescita was a drug development business and has been presented as discontinued operation. The operating results of the discontinued operation are presented below.

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
in thousands	**$**	$	**$**	$
Discontinued Operations				
Product sales	**-**	178	**45**	540
Royalties	**-**	29	**14**	168
Total Revenue	**-**	207	**59**	708
Total operating expenses	**-**	3,494	**3,247**	11,715
Foreign currency (gain) loss	**-**	16	**(8)**	36
Loss before income taxes	**-**	(3,303)	**(3,180)**	(11,043)
Net loss from discontinued operations	**-**	(3,303)	**(3,180)**	(11,043)

Net loss from discontinued operations was $nil and $3.2 million for the three and nine months ended September 30, 2016 compared to $3.3 million and $11.0 million for the three and nine months ended September 30, 2015. The decrease in net loss from discontinued operations was attributable to the timing of the Reorganization, which was effective March 1, 2016.

Net Income (Loss)

Net income was $1.3 million for the three months ended September 30, 2016 compared to a net loss of $1.2 million for the three months ended September 30, 2015. The Company generated net income in the current quarter attributable to its continuing operations, whereas in the comparative quarter, the net income from continuing operations was more than offset by the net loss from discontinued operations.

Net income for the nine months ended September 30, 2016 was $2.5 million compared to a net loss of $7.4 million for the nine months ended September 30, 2015. For the current nine-month period, net income from continuing operations was slightly offset by the two-month net loss from discontinued operations. In the comparative nine-month period, the net income from continuing operations was more than offset by the net loss from discontinued operations.

Total Comprehensive Income (Loss)

Total comprehensive income was $1.3 million for the three months ended September 30, 2016 compared to a total comprehensive loss of $1.2 million for the three months ended September 30, 2015. The current quarter included an unrealized gain of $2,000 on the translation of foreign operations compared to a $10,000 unrealized gain in the comparative quarter.

Total comprehensive income was $2.5 million for the nine months ended September 30, 2016 compared to a total comprehensive loss of $7.5 million for the nine months ended September 30, 2015. The current nine-month period included an unrealized gain of $46,000 on the translation of foreign operations compared to a $47,000 unrealized loss in the comparative nine-month period.

Net Income Per Common Share

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
share figures in thousands	**$**	$	**$**	$
Net income from continuing operations per common share				
- basic	**$0.11**	$0.19	**$0.50**	$0.33
- diluted	**$0.10**	$0.19	**$0.49**	$0.32
Average number of common shares outstanding (in thousands)				
- basic	**11,502**	10,941	**11,428**	10,892
- diluted	**11,810**	11,235	**11,690**	11,191

Net income from continuing operations per common share was $0.11 and $0.50 for the three and nine months ended September 30, 2016 versus $0.19 and $0.33 for the three and nine months ended September 30, 2015. On a diluted basis, net income from continuing operations per common share was $0.10 and $0.49 for the three and nine months ended September 30, 2016 versus $0.19 and $0.32 for the three and nine months ended September 30, 2015.

The weighted average number of common shares outstanding on a basic and diluted basis was 11.5 million and 11.8 million for the three months ended September 30, 2016 and 10.9 million and 11.2 million on a basic and diluted basis for the three months ended September 30, 2015. The increase was attributable to common shares issued from the exercise of warrants, common shares issued on the settlement of DSUs and stock options exercised. On a diluted basis, the weighted average number of common shares includes a 279,000 share adjustment for the dilutive impact of stock options and 29,000 share adjustment for the dilutive impact of SARs for the three months ended September 30, 2016. On a diluted basis, the weighted average number of common shares included a 163,000 share adjustment for the dilutive impact of stock options and a 131,000 share adjustment for the dilutive impact of warrants for the three months ended September 30, 2015.

The weighted average number of common shares outstanding on a basic and diluted basis was 11.4 million and 11.7 million for the nine months ended September 30, 2016 and 10.9 million and 11.2 million on a basic and diluted basis for the nine months ended September 30, 2015. The increase was attributable to common shares issued from the exercise of warrants and common shares issued on the settlement of DSUs. On a diluted basis, the weighted average number of common shares included a 248,000 share adjustment for the dilutive impact of stock options, a 1,000 share adjustment for the dilutive impact of warrants and a 13,000 share adjustment for the dilutive impact of DSUs for the nine months ended September 30, 2016. On a diluted basis, the weighted average number of common shares included a 151,000 share adjustment for the dilutive impact of stock options and a 148,000 share adjustment for the dilutive impact of warrants for the nine months ended September 30, 2015.

Segments

IFRS 8 - *Operating Segments*, requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. Prior to the fourth quarter of 2015, the Company reported two operating segments: the TPT Group and the Immunology Group. In the fourth quarter of 2015, the Company changed its operating segments and reported Nuvo and Crescita as its two operating segments in light of the then proposed Reorganization. With the completion of the Reorganization on March 1, 2016, operating results have been restated to reflect Crescita as a discontinued operation. Accordingly, the Company now operates in one segment.

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

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
In thousands	**$**	$	**$**	$
United States	**4,064**	5,035	**19,175**	9,908
Europe	**1,059**	400	**1,583**	2,263
Canada	**395**	74	**708**	630
	5,518	5,509	**21,466**	12,801

Adjusted EBITDA
EBITDA is a non-IFRS financial measure. The term EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income from continuing operations before net interest income, plus income tax expense, depreciation, amortization and SBC. Management believes Adjusted EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for working capital, capital expenditures and income taxes.

The following is a summary of how EBITDA and Adjusted EBITDA are calculated.

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
in thousands	**$**	$	**$**	$
Net income from continuing operations	**1,251**	2,109	**5,670**	3,627
Add back:				
Net interest income	**(29)**	(117)	**(107)**	(404)
Income tax expense	**-**	-	**-**	7
Depreciation and amortization	**57**	59	**170**	213
EBITDA	**1,279**	2,051	**5,733**	3,443
Add back:				
SBC	**120**	513	**1,831**	543
Adjusted EBITDA	**1,399**	2,564	**7,564**	3,986

Adjusted EBITDA decreased to $1.4 million for the three months ended September 30, 2016 compared to $2.6 million for the three months ended September 30, 2015. The decrease in Adjusted EBITDA for the current three-month period was primarily related to an increase in G&A expenses, a decrease in net interest income and a lower foreign exchange gain.

Adjusted EBITDA increased to $7.6 million for the nine months ended September 30, 2016 compared to $4.0 million for the nine months ended September 30, 2015. The increase in Adjusted EBITDA for the current nine-month period was primarily attributed to an increase in gross margin and decrease in R&D expenses partially offset by an increase in G&A expenses, lower net interest income and an increase in foreign exchange losses.

Liquidity and Capital Resources

in thousands

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income from continuing operations	1,251	2,109	**5,670**	3,627
Net loss from discontinued operations	**-**	(3,303)	**(3,180)**	(11,043)
Net income (loss)	**1,251**	(1,194)	**2,490**	(7,416)
Items not involving current cash flows	**(64)**	(265)	**2,174**	(83)
Cash provided by (used in) operations	**1,187**	(1,459)	**4,664**	(7,499)
Net change in non-cash working capital	**196**	103	**(762)**	(348)
Cash provided by (used in) operating activities	**1,383**	(1,356)	**3,902**	(7,847)
Cash used in investing activities	**(5,072)**	(3)	**(8,311)**	(311)
Cash provided by (used in) financing activities	**38**	96	**(34,873)**	408
Effect of exchange rates on cash	**104**	317	**8**	324
Net change in cash during the period	**(3,547)**	(946)	**(39,274)**	(7,426)
Cash beginning of the period	**12,953**	41,795	**48,680**	48,275
Cash end of the period	**9,406**	40,849	**9,406**	40,849
Short-term investments	**8,000**	10,000	**8,000**	10,000
Cash and short-term investments	**17,406**	50,849	**17,406**	50,849

Cash and short-term investments

Cash and short-term investments were $17.4 million as at September 30, 2016, a decrease of $31.3 million compared to $48.7 million at December 31, 2015. The decrease is primarily related to the $35.0 million that was transferred to Crescita as part of the Reorganization of the Company (See Corporate Reorganization).

Operating Activities

Cash provided by operations was $1.2 million and $4.7 million for the three and nine months ended September 30, 2016 compared to cash used in operations of $1.5 million and $7.5 million for the three and nine months ended September 30, 2015. In both the three and nine months ended September 30, 2016, the increase in cash provided by operations was due to an increase in net income.

Overall cash provided by operating activities was $1.4 million for the three months ended September 30, 2016 compared to cash used in operating activities of $1.4 million for the three months ended September 30, 2015. The significant increase in cash provided by operating activities in the current quarter related to an increase in cash provided by operations and a reduction of $0.1 million in working capital. In the current three-month period, the $0.2 million recovery of non-cash working capital was primarily attributable to a $0.5 million decrease in accounts receivable and a $0.2 million increase in accounts payable and accrued liabilities slightly offset by a $0.3 million deposit on production equipment and a $0.2 million increase in inventory. In the comparative three-month period, the $0.1 million recovery of non-cash working capital was primarily attributable to a $0.4 million increase in accounts payable and a $0.3 million decrease in accounts receivable slightly offset by a $0.3 million increase in other current assets and an increase in inventory.

For the nine months ended September 30, 2016, cash provided by operating activities increased by $11.7 million to $3.9 million versus cash used in operating activities of $7.8 million for the nine months ended September 30, 2015, primarily due to a decrease in net loss from discontinued operations of $7.9 million, slightly offset by an increased investment in working capital. In the current nine-month period, the $0.8 million investment in working capital was primarily due to a $1.4 million decrease in accounts payable and accrued liabilities due to the revaluation of SARS to market value at September 30, 2016 and a $1.2 million increase in inventory slightly offset by a $2.1 million decrease in accounts receivable. In the comparative

nine-month period, the Company's $0.3 million investment in non-cash working capital was primarily attributable to a $0.8 million decrease in accounts payable and accrued liabilities, a $0.4 million increase in other current assets and a $0.2 million increase in inventory slightly offset by a $1.1 million decrease in accounts receivable.

Investing Activities
Net cash used in investing activities was $5.1 million and $8.3 million for the three and nine months ended September 30, 2016 compared to net cash used in investing activities of $3,000 and $0.3 million for the three and nine months ended September 30, 2015. In both the current and comparative quarters, cash used in investing activities included the acquisition of property, plant and equipment for production and laboratory equipment acquired by the Company's manufacturing facility in Varennes, Québec. In the current three-month period, the Company purchased $5.0 million of short-term investments and in the current nine-month period, the Company purchased $8.0 million of short-term investments.

Financing Activities
Net cash provided by financing activities was $38,000 for the three months ended September 30, 2016 compared to net cash provided by financing activities of $0.1 million for the three months ended September 30, 2015. In the current quarter, the Company received cash from the exercise of stock options. In the comparative quarter, the Company received cash from the exercise of warrants that was slightly offset by payments made towards the five-year consulting agreement related to the acquisition of the non-controlling interest in Nuvo Research AG in 2011. On March 1, 2016, this consulting agreement was transferred to Crescita.

Net cash used in financing activities was $34.9 million for the nine months ended September 30, 2016 compared to net cash provided by financing activities of $0.4 million for the nine months ended September 30, 2015. In the current nine-month period, the Company transferred $35.0 million to Crescita as part of the Reorganization of the Company (See Corporate Reorganization). In the current and comparative nine-month periods, the Company received cash from the exercise of warrants and the exercise of stock options that was partially offset by payments towards the five-year consulting agreement.

Selected Quarterly Information

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

	December 31, 2015	March 31, 2016	June 30, 2016	**September 30, 2016**
in thousands, except per share data	$	$	$	**$**
Revenue	7,694	7,842	8,106	**5,518**
Net income (loss)	4,701	1,928	2,491	**1,251**
Net income (loss) per common share				
- basic	$0.43	$0.17	$0.22	**$0.11**
- diluted	$0.42	$0.15	$0.21	**$0.10**

	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015
	$	$	$	$
Revenue	3,128 [(1)]	4,333	2,959	5,509
Net income (loss)	(474) [(1)]	2,025	(507)	2,109
Net income (loss) per common share				
- basic	$(0.05)	$0.19	$(0.05)	$0.19
- diluted	$(0.05)	$0.18	$(0.05)	$0.19

(1) *The quarter ended December 31, 2014 included a $0.5 million impairment charge on intangible assets related to the HLT Patch.*

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk Factors

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

Liquidity Risk

While the Company had $9.4 million in cash and $8.0 million in short-term investments as at September 30, 2016, it is dependent on a single customer for substantially all of its revenue. In the U.S., the Company receives product revenue from Horizon pursuant to a long-term exclusive supply agreement. The loss of this customer would have a material adverse effect on the Company's revenue, operating results and cash flows. The Company continues to seek business opportunities to diversify its customer base in order to help mitigate this concentration risk.

The Company has contractual obligations related to accounts payable and accrued liabilities, purchase commitments and other obligations of $8.4 million that are due in less than a year and $9,000 of contractual obligations that are payable from 2018 to 2020.

Credit Risk

The Company's cash and short-term investments subject the Company to a concentration of credit risk. As at September 30, 2016, the Company had $9.4 million invested with two financial institutions in various bank accounts as per its practice of protecting its capital rather than maximizing investment yield through additional risk. These financial institutions are major Canadian banks, which the Company believes lessens the degree of credit risk. Additionally, the Company maintains $8.0 million in short-term investments with a creditworthy Canadian cooperative financial group and a Canadian insurance company.

The Company, in the normal course of business, is exposed to credit risk from its global customers most of whom are in the pharmaceutical industry. The accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement. As at September 30, 2016, the Company's four largest customers located in North America and the E.U. represented 85% [December 31, 2015 - 89%] of accounts receivable and accounts receivable from customers located outside of North America and the E.U. (these are entirely related to Crescita) represented nil% [December 31, 2015 - 2%] of total accounts receivable.

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

	September 30, 2016	December 31, 2015
in thousands	**$**	$
Current	**2,921**	5,497
0-30 days past due	**77**	36
	2,998	5,533

Interest Rate Risk

All finance lease obligations are at fixed interest rates.

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	**September 30, 2016 €**	December 31, 2015 €	**September 30, 2016 $**	December 31, 2015 $
Cash	**200**	885	**3,389**	4,783
Accounts receivable	**310**	782	**1,849**	3,010
Other current assets	**-**	2	**-**	-
Accounts payable and accrued liabilities	**(8)**	(959)	**(193)**	(520)
Finance lease and other long-term obligations	**-**	-	**-**	(162)
	502	710	**5,045**	7,111

Based on the aforementioned net exposure as at September 30, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $0.7 million on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $0.1 million on total comprehensive income (loss).

In terms of the euro, the Company has three significant exposures: its euro denominated cash held in its Canadian operations, sales of Pennsaid by the Canadian operations to European distributors and the cost of running the Pennsaid 2% Phase 3 clinical trial in Germany. In terms of the U.S. dollar, the Company has three significant exposures: its U.S. dollar denominated cash held in its Canadian operations, the cost of purchasing raw materials either priced in U.S. dollars or sourced from U.S. suppliers that are needed to produce Pennsaid, Pennsaid 2% or other products at the Canadian manufacturing facility and revenue generated in U.S. dollars from agreements with Horizon, Galen and Eurocept.

As a result of the Reorganization, the Company no longer has an investment in active foreign operations.

The Company does not currently hedge its euro cash flows. Sales to European distributors for Pennsaid are primarily contracted in euros. The Company receives payments from the distributors in its euro bank accounts and uses these funds to pay euro denominated expenditures. Periodically, the Company reviews the amount of euros held, and if they are excessive compared to the Company's projected future euro cash flows, they may be converted into U.S. or Canadian dollars. If the amount of euros held is insufficient, the Company may convert a portion of other currencies into euros.

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

Contractual Obligations

The following table lists the Company's contractual obligations for the twelve-month periods ending September 30 as follows:

	Total	2017	2018	2019 and thereafter
in thousands	$	$	$	$
Finance lease obligations	12	3	3	6
Operating leases	12	12	-	-
Purchase obligations[1]	2,937	2,937	-	-
Other obligations[2]	5,433	5,433	-	-
	8,394	**8,385**	**3**	**6**

[1] *The Company has committed to $1.9 million of capital investments for its manufacturing facility and $1.1 million for the 2016 Pennsaid 2% Trial.*

[2] *Other obligations include accounts payable and accrued liabilities.*

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

Subsequent to the Reorganization, Nuvo and Crescita are 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 with corporate-level employee services, quality assurance support and facility rental, and (b) Crescita provides Nuvo corporate-level employee services, R&D and legal support and facility and equipment rental.

Effective September 12, 2016, the CFO transition services agreement between Nuvo and Crescita was terminated.

The following is a summary of the transactions between Nuvo and Crescita for the period from April 1, 2016 to September 30, 2016:

In thousands	Three Months Ended September 30, 2016 $	Nine Months Ended September 30, 2016 $
Transactions under the transitional services agreement:		
Services provided to Crescita	**112**	**285**
Services received from Crescita	**118**	**260**

As at September 30, 2016, Nuvo recognized a $21,000 receivable from Crescita.

Outstanding Share Data

The number of common shares outstanding as at September 30, 2016 was 11.5 million compared to 11.1 million as at December 31, 2015. The increase was due to the issuance of approximately 0.1 million shares for the settlement of warrants and 0.3 million shares for the settlement of DSUs which was completed as part of the Reorganization.

As at September 30, 2016, there were 894,175 options outstanding of which 633,447 have vested.

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. Management has identified the following accounting estimates that it believes are most critical to understanding the Condensed Consolidated Interim Financial Statements and those that require the application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material. All significant accounting policies are disclosed in Note 3, "Summary of Significant Accounting Policies" of the Company's Consolidated 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 that are mandatory for fiscal periods beginning on or after January 1, 2015. 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 Consolidated Financial Statements.

IFRS 15 - *Revenue from Contracts with Customers*

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

IFRS 16 - *Leases*

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

Amendments to IFRS 2 - *Share-based Payments*

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

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

The Company assesses the impact of adoption of future standards on its Consolidated Financial Statements, but does not anticipate significant changes in 2016.

Management's Responsibility for Financial Reporting

Disclosure controls and procedures (DCP) are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of DCP includes, among other things, the Company's Corporate Disclosure and Code of Conduct and Business Ethics policies, the review and approval procedures of the Corporate Disclosure Committee and continuous review and monitoring procedures by senior management.

Management is also responsible for the design of internal controls over financial reporting (ICFR) within the Company, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

There were no changes to ICFR that occurred during the quarter ended September 30, 2016 that has materially affected the Company's ICFR.

Risk Factors

Prospects for companies in the biotechnology and pharmaceutical industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology and pharmaceutical companies should be regarded as speculative. R&D involves a high and significant degree of risk. An investor should carefully consider the risks and uncertainties discussed in detail in the MD&A for the year ended December 31, 2015 and the "Risk Factors" section of the Company's AIF filed on SEDAR on February 17, 2016, as well as the Nuvo Reorganization Circular filed on SEDAR January 22, 2016, before making an investment decision.

Additional Information

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

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited		**As at September 30, 2016**	As at December 31, 2015
(Canadian dollars in thousands)	***Notes***	**$**	$
ASSETS			
CURRENT			
Cash	*14*	**9,406**	48,680
Short-term investments	*14*	**8,000**	-
Accounts receivable	*14, 16*	**2,998**	5,533
Inventories	*4*	**3,209**	2,402
Other current assets	*5*	**1,511**	1,337
TOTAL CURRENT ASSETS		**25,124**	57,952
NON-CURRENT			
Property, plant and equipment	*6*	**1,222**	1,180
TOTAL ASSETS		**26,346**	59,132
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	*9*	**5,433**	9,178
Current portion of other obligations	*7*	**2**	192
TOTAL CURRENT LIABILITIES		**5,435**	9,370
Other obligations	*7*	**8**	43
TOTAL LIABILITIES		**5,443**	9,413
EQUITY			
Common shares	*8*	**184,987**	234,763
Contributed surplus	*8, 9*	**14,115**	13,956
Accumulated other comprehensive income (loss)(AOCI)		**(2)**	1,059
Deficit	*8*	**(178,197)**	(200,059)
TOTAL EQUITY		**20,903**	49,719
TOTAL LIABILITIES AND EQUITY		**26,346**	59,132

Commitments (Note 13)
See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Unaudited		Three Months Ended September 30		Nine Months Ended September 30	
		2016	2015	**2016**	2015
(Canadian dollars in thousands, except per share and share figures)	***Notes***	**$**	$	**$**	$
REVENUE					
Product sales	*15*	**4,988**	5,047	**19,630**	11,502
Royalties	*15*	**323**	251	**766**	877
Contract revenue	*15, 16*	**207**	211	**1,070**	422
Total revenue		**5,518**	5,509	**21,466**	12,801
OPERATING EXPENSES					
Cost of goods sold	*4, 9, 11*	**2,535**	2,510	**8,829**	6,726
Research and development expenses	*9, 11, 16*	**394**	338	**813**	1,008
General and administrative expenses	*9, 11, 16*	**1,462**	1,067	**5,813**	2,520
Net interest income		**(29)**	(117)	**(107)**	(404)
Total operating expenses		**4,362**	3,798	**15,348**	9,850
OTHER EXPENSES (INCOME)					
Foreign currency loss (gain)		**(95)**	(398)	**473**	(683)
Gain on asset disposal	*6*	**-**	-	**(25)**	-
Net income before income taxes from continuing operations		**1,251**	2,109	**5,670**	3,634
Income tax expense		**-**	-	**-**	7
NET INCOME FROM CONTINUING OPERATIONS		**1,251**	2,109	**5,670**	3,627
NET LOSS FROM DISCONTINUED OPERATIONS	*3*	**-**	(3,303)	**(3,180)**	(11,043)
NET INCOME (LOSS)		**1,251**	(1,194)	**2,490**	(7,416)
Other comprehensive income (loss) to be reclassified to net income (loss) in subsequent periods					
Unrealized gains (losses) on translation of foreign operations		**2**	10	**46**	(47)
TOTAL COMPREHENSIVE INCOME (LOSS)		**1,253**	(1,184)	**2,536**	(7,463)
Net earnings from continuing operations per common share					
- basic	*10*	**$0.11**	$0.19	**$0.50**	$0.33
- diluted	*10*	**$0.10**	$0.19	**$0.49**	$0.32
Net loss from discontinued operations per common share					
- basic	*10*	**-**	$(0.30)	**$(0.28)**	$(1.01)
- diluted	*10*	**-**	$(0.29)	**$(0.27)**	$(0.99)
Net earnings (loss) per common share					
- basic	*10*	**$0.11**	$(0.11)	**$0.22**	$(0.68)
- diluted		**$0.10**	$(0.11)	**$0.21**	$(0.66)
Average number of common shares outstanding (in thousands)					
- basic		**11,502**	10,941	**11,428**	10,892
- diluted		**11,810**	11,235	**11,690**	11,191

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited *(Canadian dollars in thousands, except for number of shares)*	Common Shares		Contributed Surplus	AOCI	Deficit	Total
	(000s)	**$**	**$**	**$**	**$**	**$**
Notes	*8, 9*	*8, 9*	*8, 9*			
Balance, December 31, 2014	10,775	233,568	13,910	1,124	(192,939)	55,663
Warrants exercised	134	425	(37)	-	-	388
Stock option compensation expense	-	-	105	-	-	105
Unrealized losses on translation of foreign operations	-	-	-	(57)	-	(57)
Stock options exercised	8	20	(4)	-	-	16
Net loss	-	-	-	-	(6,222)	(6,222)
Balance, June 30, 2015	10,917	234,013	13,974	1,067	(199,161)	49,893
Warrants exercised	64	167	(30)	-	-	137
Stock option compensation expense	-	-	35	-	-	35
Unrealized gains on translation of foreign operations	-	-	-	10	-	10
Stock options exercised	4	9	(4)	-	-	5
Net loss	-	-	-	-	(1,194)	(1,194)
Balance, September 30, 2015	10,985	234,189	13,975	1,077	(200,355)	48,886
Warrants exercised	134	443	(49)	-	-	394
Stock option compensation expense	-	-	37	-	-	37
Unrealized losses on translation of foreign operations	-	-	-	(18)	-	(18)
Stock options exercised	12	33	(7)	-	-	26
Employee contributions to Share Purchase Plan	7	49	-	-	-	49
Employer's portion of Share Purchase Plan	7	49	-	-	-	49
Net income	-	-	-	-	296	296
Balance, December 31, 2015	11,145	234,763	13,956	1,059	(200,059)	49,719
Warrants exercised	54	177	(19)	-	-	158
Stock option compensation expense	-	-	159	-	-	159
Unrealized gains on translation of foreign operations	-	-	-	44	-	44
Common shares issued under DSU Plan	288	1,599	-	-	-	1,599
Common shares cancelled on execution of the Arrangement	(11,487)	(236,539)	-	-	-	(236,539)
New common shares issued on execution of the Arrangement	11,487	184,926	-	-	-	184,926
Unrealized income on translation of foreign operations transferred to Crescita Therapeutics Inc. (Crescita)	-	-	-	(1,107)	-	(1,107)
Distribution of Crescita	-	-	-	-	19,372	19,372
Net income	-	-	-	-	1,239	1,239
Balance, June 30, 2016	11,487	184,926	14,096	(4)	(179,448)	19,570
Stock option compensation expense	-	-	40	-	-	40
Unrealized gains on translation of foreign operations	-	-	-	2	-	2
Stock options exercised	17	61	(21)	-	-	40
Net income	-	-	-	-	1,251	1,251
Balance, September 30, 2016	**11,504**	**184,987**	**14,115**	**(2)**	**(178,197)**	**20,903**

See accompanying Notes.

NUVO PHARMACEUTICALS INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited		Three Months Ended September 30		Nine Months Ended September 30	
		2016	2015	**2016**	2015
(Canadian dollars in thousands)	***Notes***	**$**	$	**$**	$
OPERATING ACTIVITIES					
Net income from continuing operations		**1,251**	2,109	**5,670**	3,627
Net loss from discontinued operations	*3*	**-**	(3,303)	**(3,180)**	(11,043)
Items not involving current cash flows:					
Depreciation and amortization	*6, 11*	**57**	70	**178**	242
Equity-settled stock-based compensation	*9*	**40**	35	**1,798**	140
Unrealized foreign exchange loss (gain)		**(161)**	(378)	**188**	(550)
Inventory write-down	*4*	**-**	3	**-**	66
Interest and accretion of long-term other obligations	*7*	**-**	9	**7**	31
Other		**-**	(4)	**3**	(12)
		1,187	(1,459)	**4,664**	(7,499)
Net change in non-cash working capital	*12*	**196**	103	**(762)**	(348)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**1,383**	(1,356)	**3,902**	(7,847)
INVESTING ACTIVITIES					
Acquisition of short-term investment	*14*	**(5,000)**	-	**(8,000)**	-
Acquisition of property, plant and equipment	*6*	**(72)**	(3)	**(311)**	(311)
CASH USED IN INVESTING ACTIVITIES		**(5,072)**	(3)	**(8,311)**	(311)
FINANCING ACTIVITIES					
Cash transferred to Crescita	*3*	**-**	-	**(35,016)**	-
Exercise of warrants	*8*	**-**	137	**158**	525
Repayment of capital lease and other obligations	*7*	**(2)**	(46)	**(55)**	(138)
Exercise of stock options	*9*	**40**	5	**40**	21
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**38**	96	**(34,873)**	408
Effect of exchange rate changes on cash		**104**	317	**8**	324
Net change in cash during the period		**(3,547)**	(946)	**(39,274)**	(7,426)
Cash, beginning of period		**12,953**	41,795	**48,680**	48,275
CASH, END OF PERIOD		**9,406**	40,849	**9,406**	40,849

See accompanying Notes.

Supplemental Cash Flow Information:

Interest received[1]	**9**	47	**56**	271
Income taxes paid[1]	**-**	-	**-**	7

1. Amounts received for interest and paid for income taxes were reflected as operating cash flows in the Consolidated Interim Statements of Cash Flows.

Total Cash and Short-Term Investments

	September 30, 2016	September 30, 2015
	$	$
Cash	**9,406**	40,849
Short-term investments	**8,000**	10,000
	17,406	50,849

NUVO PHARMACEUTICALS™ INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

1. NATURE OF BUSINESS

Nuvo Pharmaceuticals Inc. (Nuvo or the Company) is a commercial healthcare business with a portfolio of products and pharmaceutical manufacturing capabilities. Nuvo has three commercial products that are available in a number of countries: Pennsaid® 2%, Pennsaid and the heated lidocaine/tetracaine patch (HLT Patch). The Company's registered office and principal place of business is located at 7560 Airport Road, Unit 10, Mississauga, Ontario, L4T 4H4.

Pennsaid 2%
Pennsaid 2% is the follow-on product to original Pennsaid (described below). Pennsaid 2% is a topical non-steroidal anti-inflammatory drug (NSAID) containing 2% diclofenac sodium compared to 1.5% for original Pennsaid. Pennsaid 2% is more viscous than original Pennsaid, is supplied in a metered dose pump bottle and has been approved in the U.S. for twice-daily dosing compared to four times a day for Pennsaid. On January 16, 2014, Pennsaid 2% was approved in the U.S. for the treatment of the pain of osteoarthritis (OA) of the knee. The sales and marketing rights in the U.S. were originally licensed to Mallinckrodt Inc. (Mallinckrodt). In September 2014, the Company reached a settlement related to its litigation with Mallinckrodt. Under the terms of the settlement agreement, Mallinckrodt paid US$10.0 million to settle the claims and returned the sales and marketing rights for Pennsaid 2% to Nuvo. In October 2014, the Company sold the U.S. rights to Pennsaid 2% to Horizon Pharma plc (Horizon) for US$45.0 million. In January 2015, Horizon launched its commercial sale and marketing of Pennsaid 2% in the U.S. Pennsaid 2% is currently manufactured by the Company for sale to Horizon. Pennsaid 2% is not approved in any country outside the U.S.

Pennsaid
Pennsaid is a topical NSAID containing 1.5% diclofenac sodium and is used to treat the signs and symptoms of OA of the knee. It is approved for sale and marketing in several countries including Canada, where it is licensed to Paladin Labs Inc. As a result of the litigation settlement with Mallinckrodt, the U.S. sales and marketing rights to Pennsaid were returned to the Company. Under the terms of the agreement with Horizon for the sale of the Pennsaid 2% rights, the Company agreed to discontinue the manufacture, sale and marketing of Pennsaid in the U.S.

HLT Patch
The HLT Patch is a topical patch that combines lidocaine, tetracaine and heat, using Nuvo's proprietary Controlled Heat-Assisted Drug Delivery (CHADD™) technology. The HLT Patch is approved in the U.S. to provide local dermal analgesia for superficial venous access and superficial dermatological procedures and is marketed by Galen US Incorporated (Galen) under the brand name Synera. In Europe, the HLT Patch is approved for surface anaesthesia of normal intact skin and is marketed by the Company's European-based licensee, Eurocept International B.V. (Eurocept), under the brand name Rapydan.

Nuvo Reorganization
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 Therapeutics Inc. (Crescita). The Reorganization proceeded by way of arrangement under the *Canada Business Corporations Act* (the Arrangement). Per the terms of the Arrangement, Nuvo transferred $35.0 million to Crescita and changed its name from "Nuvo Research Inc." 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 the Company and Crescita as separate publicly traded companies, are included in the Management Information Circular dated December 31, 2015 (Nuvo Reorganization Circular) that is available under the Company'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 drug development business that at the time of the Reorganization operated two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The TPT Group had one commercial product, a pipeline of topical and transdermal products focusing on pain and dermatology and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The Immunology Group had two commercial products and is now being wound down. The operations related to Crescita are accounted for as a discontinued operation (See Note 3, *Discontinued Operations*).

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 Consolidated Financial Statements of the Company for the year ended December 31, 2015, which are available on SEDAR at www.sedar.com.

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

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.

Basis of Consolidation

These Condensed Consolidated Interim Financial Statements include the accounts of the Company and Dimethaid (UK) Ltd., its wholly owned subsidiary.

The accounts of the following entities were also included in these Condensed Consolidated Interim Financial Statements prior to their distribution to Nuvo's shareholders on March 1, 2016 as part of the Reorganization:

	% Ownership prior to March 1, 2016
Nuvo Research America, Inc. and its subsidiaries:	
Nuvo Research US, Inc., ZARS Pharma, Inc., and ZARS (UK) Limited	**100%**
Dimethaid Immunology Inc.	**100%**
Nuvo Research AG and its subsidiaries:	
Nuvo Manufacturing GmbH and Nuvo Research GmbH	**100%**

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

Significant Accounting Policies

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

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 that are mandatory for fiscal periods beginning on or after January 1, 2015. 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 Consolidated Financial Statements.

IFRS 15 - *Revenue from Contracts with Customers*

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

IFRS 16 - *Leases*

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

Amendments to IFRS 2 - *Share-based Payments*

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

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

The Company assesses the impact of adoption of future standards on its Consolidated Financial Statements, but does not anticipate significant changes in 2016.

3. DISCONTINUED OPERATIONS

On March 1, 2016, the Company completed the Reorganization of Nuvo into two separate publicly traded companies, Nuvo and Crescita, each initially 100% owned by Nuvo's shareholders. Prior to the fourth quarter of 2015, the business of Crescita represented the Company's TPT and Immunology operating segments. In the fourth quarter of 2015, the Company changed its operating segments and reported Crescita as a separate operating segment in light of the then-proposed Reorganization. With the completion of the Reorganization on March 1, 2016, operating results have been restated to reflect Crescita as a discontinued operation. Accordingly, Crescita is no longer presented in Note 15, *Segmented Information*.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
(In thousands, except per share figures)	**$**	$	**$**	$
REVENUE				
Product sales	**-**	178	**45**	540
Royalties	**-**	29	**14**	168
Total revenue	**-**	207	**59**	708
OPERATING EXPENSES				
Cost of goods sold	**-**	75	**96**	315
Research and development expenses	**-**	1,441	**648**	7,107
General and administrative expenses	**-**	1,969	**2,498**	4,262
Interest expense	**-**	9	**5**	31
Total operating expenses	**-**	3,494	**3,247**	11,715
OTHER EXPENSE (INCOME)				
Foreign currency loss (gain)	**-**	16	**(8)**	36
NET LOSS FROM DISCONTINUED OPERATIONS	**-**	(3,303)	**(3,180)**	(11,043)
Net loss from discontinued operations per common share				
- basic	**-**	$(0.30)	**$(0.28)**	$(1.01)
Average number of common shares outstanding				
- basic	**11,502**	10,941	**11,428**	10,892

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash used in operating activities	**-**	(2,409)	**(5,203)**	(10,972)
Cash provided by (used in) investing activities	**-**	-	**4,801**	(13)
Cash provided by financing activities	**-**	2,692	**34,963**	11,283
Net cash inflow	**-**	283	**34,561**	298

4. INVENTORIES

Inventories consist of the following as at:

	September 30, 2016	December 31, 2015
	$	$
Raw materials	**2,214**	1,205
Work in process	**363**	349
Finished goods	**632**	848
	3,209	2,402

During the three and nine months ended September 30, 2016, inventories in the amount of $2.2 million and $8.0 million [$2.2 million and $6.0 million for the three and nine months ended September 30, 2015] were recognized as

cost of goods sold. During the three and nine months ended September 30, 2016, there were no inventory write-downs [$3 and $3 of raw materials for the three and nine months ended September 30, 2015] and no reversals of prior period write-downs during the three and nine months ended September 30, 2016 and 2015, included in the Company's continuing operations. There were no inventory write-downs included in the Company's discontinued operations during the three and nine months ended September 30, 2016. During the three and nine months ended September 30, 2015, the Company's discontinued operations included inventory write-downs of $nil and $63 (€46). There were no reversals of prior period write-downs included in the Company's discontinued operations during the three and nine months ended September 30, 2016 or 2015.

5. OTHER CURRENT ASSETS

Other current assets consist of the following as at:

	September 30, 2016	December 31, 2015
	$	$
Deposits[(i), (ii)]	**948**	728
Prepaid expenses	**385**	141
Other receivables	**178**	468
	1,511	1,337

(i) As at September 30, 2016, deposits included $908 for deposits on production equipment.
(ii) As at December 31, 2015, deposits included $588 related to taxes owed to the Canada Revenue Agency (CRA) for fiscal 2014. The Company received a full refund of this deposit from the CRA during January 2016.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) consists of:

	Land	**Buildings**	**Leasehold Improvements**	**Furniture & Fixtures**	**Computer Equipment**	**Production Laboratory & Other Equipment[(i)]**	**Total**
Cost	$	$	$	$	$	$	$
Balance, December 31, 2015	42	2,334	114	274	1,065	3,772	7,601
Additions	-	-	-	-	-	311	311
Disposals[(ii)]	-	-	-	-	-	(79)	(79)
Transferred to Crescita	-	(901)	(114)	(214)	(903)	(928)	(3,060)
Balance, September 30, 2016	**42**	**1,433**	**-**	**60**	**162**	**3,076**	**4,773**
Accumulated depreciation							
Balance, December 31, 2015	-	1,685	114	272	1,015	3,335	6,421
Depreciation expense	-	51	-	-	6	121	178
Disposals[(ii)]	-	-	-	-	-	(79)	(79)
Transferred to Crescita	-	(901)	(114)	(213)	(861)	(880)	(2,969)
Balance, September 30, 2016	**-**	**835**	**-**	**59**	**160**	**2,497**	**3,551**
Net book value as at December 31, 2015	42	649	-	2	50	437	1,180
Net book value as at September 30, 2016	**42**	**598**	**-**	**1**	**2**	**579**	**1,222**

(i) Production, laboratory and other equipment as at September 30, 2016 included a cost of $35 [December 31, 2015 - $35] and accumulated depreciation of $26 [December 31, 2015 - $25] for assets under finance leases. Depreciation of PP&E was under $1 and $2 for the three and nine months ended September 30, 2016 related to assets under finance leases.
(ii) In the nine months ended September 30, 2016, the Company recognized a $25 gain due to a purchase credit received for fully depreciated manufacturing equipment. The Company has applied this credit to current capital expenditures.

7. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	September 30, 2016	December 31, 2015
	$	$
Finance lease obligations	**10**	10
Long-term consulting agreement from acquisition of non-controlling interest	**-**	225
	10	235
Less: amounts due within one year	**2**	192
Long-term balance	**8**	43

Finance lease obligations
The Company leases office equipment under a finance lease expiring in 2020. The minimum future lease payments are as follows for the twelve months ending September 30:

	$
2017	3
2018	3
2019 and thereafter	6
Total minimum lease payments	12
Less: amount representing interest (approximately 15%)	2
Present value of minimum lease payments	10
Less: current portion	2
Long-term balance	**8**

For the three and nine months ended September 30, 2016, interest paid on finance lease obligations was under $1 and $1 [2015 - under $1].

Long-term consulting agreement from acquisition of non-controlling interest
In December 2011, the Company increased its ownership in Nuvo Research AG to 100% by acquiring the 40% interest held by the minority owner. The consideration transferred to the non-controlling interest included a 5-year, US$150 per annum consulting agreement with the former minority shareholder, discounted at 15.5% and fair valued at US$519 ($528). On March 1, 2016, Nuvo Research AG and the related consulting agreement were transferred to Crescita as part of the Reorganization.

8. CAPITAL STOCK

Authorized

- 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.

- Unlimited common shares, voting, without par value.

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

To determine Nuvo's share capital amount after the Arrangement, Nuvo's stated capital immediately prior to the Arrangement was split based on the butterfly proportion, as defined in the Nuvo Reorganization Circular, of the Nuvo and Crescita common shares at the effective date of the Arrangement. The butterfly proportion was determined to be 78.18% for Nuvo and 21.82% for Crescita (Butterfly Allocation). The butterfly proportion is based

on the volume weighted average prices (VWAP) of the Crescita common shares and the Post-Arrangement Nuvo common shares during the five trading days during the period from March 7, 2016 to March 11, 2016.

As a result of the Arrangement, on March 1, 2016, 11,487,184 Nuvo common shares with a stated capital of $236.5 million were cancelled and 11,487,184 Nuvo common shares with a stated capital of $184.9 million were issued. The amount of Nuvo's net investment in Crescita at the effective date of the Arrangement, in the amount of $19.4 million was deducted from Nuvo's deficit and the unrealized income on translation of foreign operations transferred to Crescita, in the amount of $1.1 million was deducted from Nuvo's accumulated other comprehensive income account.

Private Placement

On March 31, 2014, the Company completed a non-brokered private placement (Private Placement), pursuant to which an aggregate of 1,390,000 units of the Company were issued at a price of $2.25 per unit for gross proceeds of $3.1 million ($2.9 million net of issuance costs). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company (Unit). The Company issued 695,000 common share purchase warrants (Private Placement Warrants).

A Private Placement Warrant entitled the holder to purchase one common share of Nuvo at a price of $3.00 for a 24-month period.

In connection with the Private Placement, the Company issued 78,233 broker warrants at a price of $2.54 per Unit (Broker Warrants). Each Broker Warrant unit entitled the holder to purchase one common share of the Company at a price of $2.54 and included one half of one Private Placement Warrant.

The Private Placement Warrants were subject to an acceleration feature where the Company, at its option, could force the exercise of the Private Placement Warrants if the ten-day volume weighted share price for the Company's common shares was equal to, or exceeded, $3.50 on the Toronto Stock Exchange (TSX) at any time during the warrant term. If the acceleration feature was used, any Private Placement Warrants that were not exercised during this period expired. The Company exercised its acceleration feature on November 30, 2015 and accelerated the expiry date of the outstanding warrants to January 15, 2016. During the three months ended March 31, 2016, 4,200 Broker Warrants and 49,044 Private Placement Warrants, inclusive of 2,100 Private Placement Warrants that were issued on exercise of the Broker Warrants, were exercised for proceeds of $0.2 million and 12,252 Private Placement Warrants expired. There were 14,167 private placement warrants and no broker warrants exercised in the three months ended September 30, 2015. During the nine months ended September 30, 2015, 119,196 of the Private Placement Warrants and 28,333 Broker Warrants were exercised.

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All warrants were exercisable on issuance. Changes in the number of warrants outstanding were as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 2015	63,396	2.97
Issued	2,100	3.00
Exercised	(53,244)	2.96
Expired	(12,252)	3.00
Balance, March 31, June 30, September 30, 2016	**-**	**-**

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

The Company has four stock-based compensation plans: the Share Option Plan, the Share Purchase Plan and the Share Bonus Plan, each a component of the Company's Share Incentive Plan and the Share Appreciation Rights (SARs) Plan. As part of the Arrangement, the Deferred Share Unit (DSU) Plan for non-employee directors and the DSU Plan for employees were terminated and settled in shares on March 1, 2016. Full descriptions of the four stock-based compensation plans and the two DSU Plans are included in Note 10 "*Stock-Based Compensation and Other Stock-Based Payments*" to the Company's annual Consolidated Financial Statements for the year ended December 31, 2015.

On February 18, 2016, shareholders of Nuvo approved a resolution affirming, ratifying and approving the Share Incentive Plan and approving all of the unallocated common shares issuable pursuant to the Share Incentive Plan. The Share Incentive Plan came into effect on March 1, 2016.

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

As at September 30, 2016, the number of common shares available for issuance under the Share Incentive Plan was 831,389.

Share Option Plan

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

Pursuant to the Arrangement, each Nuvo stock option issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement stock option issued by Nuvo and one Post-Arrangement stock option issued by Crescita. The exchange of these options is accounted for as an acceleration of vesting. Accordingly, the $67 unrecognized compensation relating to the original Nuvo stock options existing at the time of the exchange is immediately expensed as a charge to income. There is no incremental fair value associated with the Post-Arrangement stock options issued by Nuvo.

The exercise price of each Post-Arrangement stock option issued by Nuvo was determined by allocating the exercise price of the original Nuvo stock option between the Post-Arrangement stock option issued by Nuvo and the Post-Arrangement stock option issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement. The relative fair market values were determined using the Butterfly Allocation (See Note 8, *Capital Stock*).

The vesting schedule and the term during which each Post-Arrangement stock option issued by Nuvo may be exercised remain the same as the original Nuvo stock option it was exchanged for.

The following is a schedule of the options outstanding as at:

	Number of Options 000s	Range of Exercise Price $	Weighted Average Exercise Price $
Balance, December 31, 2015	751	1.96 - 24.05	6.18
Cancelled on Reorganization	(751)	1.96 - 24.05	6.18
Issued on Reorganization	751	1.53 - 18.80	4.83
Granted	207	5.42	5.42
Expired	(2)	18.80	18.80
Balance, June 30, 2016	956	1.53 - 12.70	4.93
Exercised [(i)]	(17)	1.53 - 6.35	2.42
Forfeited	(45)	2.65 - 5.42	4.41
Balance, September 30, 2016	**894**	**1.53 - 12.70**	**5.01**

[(i)] The weighted average share price for options exercised during the three and nine months ended September 30, 2016 was $7.10.

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options are valued with a calculated forfeiture rate of 7.0% [December 31, 2015 - 7.0%], and the remaining model inputs for options granted during the nine-month period ended September 30, 2016 were:

Options (000s)	Grant Date	Share Price $	Exercise Price $	Risk-free Interest Rate %	Expected Life (years)	Volatility Factor %	Fair Values $
207	March 23, 2016	5.42	5.42	0.49 - 0.53	2 - 5	71 - 75	2.11 - 3.27

The following table summarizes the outstanding and exercisable options held by directors, officers, employees and consultants as at September 30, 2016:

	Outstanding			Exercisable	
Exercise Price Range $	Number of Options (000s)	Remaining Contractual Life (years)	Weighted Average Exercise Price $	Vested Options (000s)	Weighted Average Exercise Price $
1.53 - 4.32	329	7.0	2.70	245	2.70
5.08 - 5.42	326	7.6	5.27	150	5.09
6.35 - 6.86	184	1.2	6.80	184	6.80
11.18 - 12.70	55	3.4	11.30	55	11.30
	894	**5.8**	**5.01**	**634**	**5.20**

Deferred Share Unit Plan

Directors

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

Upon execution of the Reorganization on March 1, 2016, all outstanding DSUs for directors were settled in shares of Nuvo net of the cash tax obligation that was payable by Nuvo. The DSU Plan for directors was terminated on March 1, 2016.

Employees

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

Upon execution of the Reorganization on March 1, 2016, all outstanding DSUs for employees were settled in shares of Nuvo net of the cash tax obligation that was paid by Nuvo. The DSU Plan for employees was terminated March 1, 2016.

Upon issuance, the fair value of the DSUs was recorded as compensation expense and the DSU accrual was established. At all subsequent reporting dates, the DSU accrual was adjusted to the market value of the underlying shares and the adjustment was recorded as compensation cost.

On March 1, 2016, Nuvo settled the DSU plan by issuing 288,226 common shares to settle 451,111 outstanding DSUs. The shares issued are restricted from trading for twelve months. The common shares were issued net of the cash tax obligation that was payable by the Company.

There was no DSU accrual as at September 30, 2016.

Share Appreciation Rights Plan

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

Pursuant to the Arrangement, each Nuvo SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. The exchange of these SARs is accounted for as a modification. There is no incremental fair value associated with the Post-Arrangement stock options issued by Nuvo. The liability existing at the effective date of the Arrangement was allocated between Nuvo and Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement. In addition, to the extent the holder of a replacement Nuvo SAR does not have a post-Arrangement service requirement to Nuvo, the portion of the compensation relating to the award that is unamortized at the effective date of the Arrangement was immediately recognized, resulting in a $260 charge to income.

The exercise price of each Post-Arrangement SAR issued by Nuvo was determined by allocating the exercise price of the original Nuvo SAR between the Post-Arrangement SAR issued by Nuvo and the Post-Arrangement SAR issued by Crescita based on the Butterfly Allocation. The vesting schedule and the term during which each Post-Arrangement SAR issued by Nuvo may be exercised remains the same as the original Nuvo SAR it was exchanged for. The shareholders of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity settled.

Fair values of each tranche issued and outstanding in the period were measured as at September 30, 2016 using the Black-Scholes option pricing model with the following inputs:

SARs (000s)	Grant Date	Exercise Price $	Risk-free Interest Rate %	Expected Life (years)	Volatility Factor %	Fair Values $
128	October 30, 2013	1.44	0.57	1	40	5.71
134	April 4, 2014	2.65	0.57	1 – 2	40 – 42	4.50 – 4.53
155	January 7, 2015	5.62	0.57	1 - 3	40 - 65	1.61 – 3.26

The following table summarizes the outstanding SARs and related accrual as at September 30, 2016:

	Number of SARs 000s	Fair Values $	Accrual $
Balance, December 31, 2015	788	0.00 - 3.45	1,328
Vested	(293)	0.00 - 3.36	(654)
Adjustment to market value at Reorganization	-	-	255
Cancelled on Reorganization	(495)	0.72 - 4.48	(929)
Issued on Reorganization	495	0.56 - 3.50	726
Adjustment to market value	-	-	971
Balance, June 30, 2016	495	1.67 - 5.55	1,697
Cancelled [(i)]	(20)	1.85 - 5.91	(73)
Adjustment to market value	-	-	153
Balance, September 30, 2016[(i)]	**475**	**1.61 - 5.91**	**1,777**

[(i)] During the three and nine months ended September 30, 2016, a SARs plan participant resigned from the Company. As a result, 58,000 SARs vested (Termination SARs) and 20,000 SARs were cancelled. The SARs accrual balance at September 30, 2016 includes $248 for Termination SARs.

Summary of Stock-based Compensation
Stock-based compensation from continuing operations is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Stock option compensation expense under the Share Option Plan	**40**	13	**170**	54
DSUs – issued for settlement of directors' fees	**-**	17	**120**	179
DSUs – adjustment to market value	**-**	267	**384**	(29)
SARs compensation expense	**80**	216	**1,157**	339
Stock-based compensation expense[(i)]	**120**	513	**1,831**	543
Recorded in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) as follows:				
Cost of goods sold	**2**	-	**4**	2
Research and development expenses	**-**	1	**12**	1
General and administrative expenses	**118**	512	**1,815**	540
	120	513	**1,831**	543

(i) During the three and nine months ended September 30, 2016, the Company's discontinued operations included $nil and $288 of stock-based compensation [$410 and $547 for the three and nine months ended September 30, 2015].

10. NET EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per share is computed as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
(Canadian dollars in thousands, except per share and share figures)	**$**	$	**$**	$
Basic earnings (loss) per share:				
Net income (loss)	**1,251**	(1,194)	**2,490**	(7,416)
Average number of shares outstanding during the period	**11,502**	10,941	**11,428**	10,892
Basic earnings (loss) per share	**$0.11**	$(0.11)	**$0.22**	$(0.68)
Basic earnings per share from continuing operations	**$0.11**	$0.19	**$0.50**	$0.33
Basic loss per share from discontinued operations	**-**	$(0.30)	**$(0.28)**	$(1.01)
Net income (loss), assuming dilution	**1,205**	(1,194)	**2,490**	(7,416)
Net income from continuing operations, assuming dilution	**1,205**	2,109	**5,670**	3,627
Average number of shares outstanding during the period	**11,502**	10,941	**11,428**	10,892
Dilutive effect of:				
Stock options	**279**	163	**248**	151
Warrants	**-**	131	**1**	148
DSUs	**-**	-	**13**	-
SARs	**29**	-	**-**	-
Weighted average common shares outstanding, assuming dilution	**11,810**	11,235	**11,690**	11,191
Diluted earnings (loss) per share	**$0.10**	$(0.11)	**$0.21**	$(0.66)
Diluted earnings per share from continuing operations	**$0.10**	$0.19	**$0.49**	$0.32
Diluted loss per share from discontinued operations	**-**	$(0.30)	**$(0.28)**	$(0.98)

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:

	September 30, 2016	September 30, 2015
	000s	000s
Common shares issued and outstanding	**11,504**	10,985
Stock options outstanding (Note 9)	**894**	766
Warrants (Note 8)[(i)]	**-**	200
SARs outstanding (Note 9) [(ii)]	**475**	-
	12,873	11,951

(i) Balance as at September 30, 2015 includes 9,300 Private Placement Warrants that will be issued on the exercise of Broker Warrants.
(ii) Includes 58,000 Termination SARs settled in cash subsequent to September 30, 2016.

11. EXPENSES BY NATURE

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

(a) Employee costs from continuing operations:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Short-term employee wages, bonuses and benefits	**1,223**	1,171	**4,637**	3,423
Share-based payments	**120**	312	**1,454**	376
Termination benefits	**-**	-	**-**	29
Total employee costs	**1,343**	1,483	**6,091**	3,828
Included in:				
Cost of goods sold	**875**	878	**2,941**	2,503
Research and development expenses	**-**	47	**25**	143
General and administrative expenses	**468**	558	**3,125**	1,182
Total employee costs	**1,343**	1,483	**6,091**	3,828

(b) Depreciation and amortization from continuing operations:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cost of goods sold	**51**	46	**147**	165
Research and development expenses	**6**	14	**23**	48
General and administrative expenses	**-**	(1)	**-**	-
Total depreciation and amortization [(i)]	**57**	59	**170**	213

(i) During the three and nine months ended September 30, 2016, the Company's discontinued operations included $nil and $8 of depreciation expense [$11 and $29 for the three and nine months ended September 30, 2015].

12. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Accounts receivable	**496**	254	**2,127**	1,051
Inventories	**(248)**	(182)	**(1,239)**	(224)
Other current assets	**(268)**	(342)	**(224)**	(374)
Accounts payable and accrued liabilities	**216**	373	**(1,426)**	(801)
Net change in non-cash working capital	**196**	103	**(762)**	(348)

13. COMMITMENTS

The Company has commitments under research and other service contracts and minimum future rental payments under operating leases for the twelve months ending September 30 as follows:

	Research and Other Service Contracts	**Operating Leases**	**Purchase Commitments[(i)]**	**Total**
	$	**$**	**$**	**$**
2017	1,060	12	1,876	2,948

(i) The Company has committed to $1.9 million of capital investments for its manufacturing facility.

For the three and nine months ended September 30, 2016, payments under operating leases totaled $6 and $41 [$9 and $29 for the three and nine months ended September 30, 2015].

Under the terms of the Pennsaid 2% U.S. Asset Sale with Horizon, Nuvo is contractually obligated to manufacture Pennsaid 2% for the U.S. market to December 2029. The agreement provides for tiered pricing based on volumes of product shipped. The Company is also required to maintain certain inventory levels of raw materials.

The Company has additional long-term supply contracts where the Company is contractually obligated to manufacture Pennsaid and Pennsaid 2% for its customers.

The Company has a long-term supply agreement with a third-party manufacturer for the supply of dimethyl sulfoxide, one of its key raw materials which expires in December 2022. The agreement automatically renews for successive three-year terms, unless terminated in writing by either party at least 12 months prior to the expiration of the current term. The agreement obligates the Company to purchase 100% of its dimethyl sulfoxide requirements from the third party at specified pricing, but does not contain any minimum purchase commitments.

Under certain licensing agreements, the Company is required to make royalty payments to two companies for a combined 2.5% of annual net sales of the HLT Patch.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 - *Financial Instruments: Disclosures* requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those where valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the three and nine months ended September 30, 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 1 assets include guaranteed investment certificates or other securities held by the Company that are valued at quoted market prices. The Company accounted for its investments at fair value on a recurring basis as at September 30, 2016. The Company did not hold Level 1 guaranteed investment certificates as at December 31, 2015.

Level 1 liabilities include obligations of the Company for the DSUs described in Note 9. One DSU has a cash value equal to the market price of one of the Company's common shares. The Company revalues the DSU liability each reporting period using the market value of the underlying shares. There was no DSU accrual as at September 30, 2016 [December 31, 2015 - $2,231], as the DSU plans were terminated on March 1, 2016.

Level 2 liabilities include obligations of the Company for the SARs Plan described in Note 9. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model. The Company accrued $1,777 for SARs as at September 30, 2016 [December 31, 2015 - $1,328].

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

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

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

Liquidity Risk
While the Company had $9.4 million in cash and $8.0 million in short-term investments as at September 30, 2016, it is dependent on a single customer for substantially all of its revenue. In the U.S., the Company receives product revenue from Horizon pursuant to a long-term exclusive supply agreement. The loss of this customer would have a material adverse effect on the Company's revenue, operating results and cash flows. The Company continues to seek business opportunities to diversify its customer base in order to help mitigate this concentration risk.

The Company has contractual obligations related to accounts payable and accrued liabilities, purchase commitments and other obligations of $8.4 million that are due in less than a year and $9 of contractual obligations that are payable from 2018 to 2020.

Credit Risk
The Company's cash and short-term investments subject the Company to a concentration of credit risk. As at September 30, 2016, the Company had $9.4 million invested with two financial institutions in various bank accounts as per its practice of protecting its capital rather than maximizing investment yield through additional risk. These financial institutions are major Canadian banks, which the Company believes lessens the degree of credit risk. Additionally, the Company maintains $8.0 million in short-term investments with a creditworthy Canadian cooperative financial group and a Canadian insurance company.

The Company, in the normal course of business, is exposed to credit risk from its global customers most of whom are in the pharmaceutical industry. The accounts receivable are subject to normal industry risks in each geographic

region in which the Company operates. The Company attempts to manage these risks prior to the signing of distribution or licensing agreements by dealing with creditworthy customers; however, due to the limited number of potential customers in each market, this is not always possible. In addition, a customer's creditworthiness may change subsequent to becoming a licensee or distributor and the terms and conditions in the agreement may prevent the Company from seeking new licensees or distributors in these territories during the term of the agreement. As at September 30, 2016, the Company's four largest customers located in North America and the E.U. represented 85% [December 31, 2015 - 89%] of accounts receivable and accounts receivable from customers located outside of North America and the E.U. (these are entirely related to Crescita) represented nil% [December 31, 2015 - 2%] of total accounts receivable.

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

	September 30, 2016	December 31, 2015
	$	$
Current	**2,921**	5,497
0-30 days past due	**77**	36
	2,998	5,533

Interest Rate Risk
All finance lease obligations are at fixed interest rates.

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	
	September 30, 2016	December 31, 2015	**September 30, 2016**	December 31, 2015
	€	€	**$**	$
Cash	**200**	885	**3,389**	4,783
Accounts receivable	**310**	782	**1,849**	3,010
Other current assets	**-**	2	**-**	-
Accounts payable and accrued liabilities	**(8)**	(959)	**(193)**	(520)
Finance lease and other long-term obligations	**-**	-	**-**	(162)
	502	710	**5,045**	7,111

Based on the aforementioned net exposure as at September 30, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $0.7 million on total comprehensive income (loss) and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $0.1 million on total comprehensive income (loss).

In terms of the euro, the Company has three significant exposures: its euro denominated cash held in its Canadian operations, sales of Pennsaid by the Canadian operations to European distributors and the cost of running the Pennsaid 2% Phase 3 clinical trial in Germany. In terms of the U.S. dollar, the Company has three significant exposures: its U.S. dollar denominated cash held in its Canadian operations, the cost of purchasing raw materials either priced in U.S. dollars or sourced from U.S. suppliers that are needed to produce Pennsaid, Pennsaid 2% or other products at the Canadian manufacturing facility and revenue generated in U.S. dollars from agreements with Horizon, Galen and Eurocept.

As a result of the Reorganization, the Company no longer has an investment in active foreign operations.

The Company does not currently hedge its euro cash flows. Sales to European distributors for Pennsaid are primarily contracted in euros. The Company receives payments from the distributors in its euro bank accounts and uses these funds to pay euro denominated expenditures. Periodically, the Company reviews the amount of euros held, and if they are excessive compared to the Company's projected future euro cash flows, they may be converted

into U.S. or Canadian dollars. If the amount of euros held is insufficient, the Company may convert a portion of other currencies into euros.

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

15. SEGMENTED INFORMATION

Segments

IFRS 8 - *Operating Segments* requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assessing its performance. Prior to the fourth quarter of 2015, the Company reported two operating segments: the TPT Group and the Immunology Group. In the fourth quarter of 2015, the Company changed its operating segments and reported Nuvo and Crescita as its two operating segments in light of the then proposed Reorganization. With the completion of the Reorganization on March 1, 2016, operating results have been restated to reflect Crescita as a discontinued operation. Accordingly, the Company now operates in one segment.

Geographic Information

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
United States	**4,064**	5,035	**19,175**	9,908
Europe	**1,059**	400	**1,583**	2,263
Canada	**395**	74	**708**	630
	5,518	5,509	**21,466**	12,801

As at September 30, 2016, all of the Company's PP&E was located in Canada.

Significant Customers

For the three months ended September 30, 2016, the Company's four largest customers generating product sales represented 95% [September 30, 2015 - 98%] of total product sales from continuing operations and the Company's largest customer represented 76% [September 30, 2015 - 98%] of total product sales from continuing operations.

16. RELATED PARTY TRANSACTIONS

Subsequent to the Reorganization, Nuvo and Crescita are 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, research and development and legal support and facility and equipment rental.

Effective September 12, 2016, the CFO transition services agreement between Nuvo and Crescita was terminated.

The following is a summary of the transactions between Nuvo and Crescita for the period from April 1, 2016 to September 30, 2016:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
	$	$
Transactions under the transitional services agreement:		
Services provided to Crescita	**112**	**285**
Services received from Crescita	**118**	**260**

As at September 30, 2016, Nuvo recognized a $21 receivable from Crescita.