

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO. 4 TO  
FORM F-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**ACASTI PHARMA INC.**

(Exact name of Registrant as specified in its charter)

**Québec, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**2834**  
(Primary Standard Industrial  
Classification Code Number)

**98-1359336**  
(I.R.S. Employer  
Identification Number)

**Acasti Pharma Inc.**  
**545 Promenade du Centropolis, Suite 100**  
**Laval, Québec, Canada H7T 0A3**  
**(450) 686-4555**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public** : As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act .

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)(3)	Amount of registration fee(2)(4)(5)
Common shares, no par value	US\$11,108,222	US\$1,382.97
Warrants to purchase common shares	—	— (6)
Common shares, no par value, issuable upon exercise of warrants to purchase common shares (7)	US\$11,996,880	US\$1,493.61
<b>Total</b>	<b>US\$23,105,102</b>	<b>US\$3,492.89</b>

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act").

(2) Calculated pursuant to Rule 457(o) under the Securities Act based on an estimate of the proposed maximum aggregate offering price.

(3) Includes shares and warrants that the underwriters may purchase pursuant to their option to purchase, if any.

(4) The Registrant previously paid US\$1,999.28 of the total registration fee in connection with the initial filing of this Registration Statement.

- (5) Pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement also covers any additional securities that may be offered or issued in connection with any stock split, dividend or similar transaction.
- (6) No registration fee required pursuant to Rule 457(g) under the Securities Act.
- (7) For every common share offered, there will be issued a warrant to purchase 0.90 of a common share at 120% of the per share offering price.

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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 14, 2017

PROSPECTUS



**6,755,000 Common Shares  
and  
Warrants to Purchase up to 6,079,500 Common Shares  
(6,079,500 Common Shares  
Underlying the Warrants)**

Acasti Pharma Inc. is offering 6,755,000 common shares, together with warrants to purchase up to 6,079,500 common shares. Each accompanying warrant is to purchase 0.90 of a common share. The common shares and warrants will be separately issued but will be purchased together in this offering. Each full warrant will have an exercise price per share not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective, will be exercisable upon issuance and will expire five years from the date on which such warrants were issued.

Our common shares are listed for trading on the NASDAQ Stock Market and the TSX Venture Exchange under the symbol "ACST". On December 13, 2017, the closing price of our common shares on the NASDAQ Stock Market was US\$1.48 per share and on the TSX Venture Exchange was \$1.93 per share. There is no established trading market for the warrants. We do not intend to apply for any listing of the warrants on the NASDAQ Stock Market or the TSX Venture Exchange or any other securities exchange or nationally recognized trading system.

We are an "emerging growth company" under the U.S. Jumpstart Our Business Startups Act of 2012.

Investing in our securities involves risks. See "[Risk Factors](#)" beginning on page 9 of this prospectus.

PRICE US\$	PER SHARE AND WARRANT	
	Per Share and Warrant(1)	Total
Price to the public	US\$	US\$
Underwriting discount(1)(2)	US\$	US\$
Proceeds to us (before expenses)	US\$	US\$

(1) The public offering price and underwriting discount correspond to an assumed public offering price per share of US\$ and an assumed public offering price per warrant of US\$0.001.

(2) We have also agreed to issue to the underwriters warrants to purchase common shares in an amount equal to 5% of the aggregate number of shares sold in this offering and to reimburse the underwriters for certain of their expenses. Please see "Underwriting" for a complete description of the compensation payable to the underwriters.

The final public offering price will be determined through negotiation between us and the lead underwriters in the offering and the recent market price used throughout this prospectus may not be indicative of the final offering price.

We have granted the underwriters an option to purchase up to an additional 750,556 common shares and/or warrants to purchase up to an aggregate of 675,500 common shares at an exercise price per share (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective to cover over-allotments, if any. The underwriters can exercise this option at any time within 30 days after the date of this prospectus.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common shares and the warrants against payment on or about , 2017.

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**Benchmark**

**Dawson James Securities, Inc.**

The date of this prospectus is \_\_\_\_\_, 2017.

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Neither we nor the underwriters have authorized anyone to provide information different from that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. Neither we nor the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any information other than the information in this prospectus, any amendment or supplement to this prospectus, and any free writing prospectus prepared by us or on our behalf. Neither the delivery of this prospectus nor the sale of our securities means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or the solicitation of an offer to buy our securities in any circumstances under which such offer or solicitation is unlawful.

We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus. The offered securities have not been and will not be qualified for distribution pursuant to a prospectus filed with the securities regulatory authorities in any of the provinces or territories of Canada and may not be offered or sold in Canada except pursuant to an exemption from the prospectus requirements of applicable Canadian securities laws.

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### ABOUT THIS PROSPECTUS

Except as otherwise indicated, references to “Acasti”, the “Corporation”, “we”, “us”, “it”, “its”, “our” or similar terms refer to Acasti Pharma Inc.

This prospectus contains company names, product names, trade names, trademarks and service marks of Acasti, Neptune Technologies & Bioresources Inc. and other organizations, all of which are the property of their respective owners. We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our name, logo and website names and addresses are our service marks or trademarks. CaPre® and the phrase “BREAKING DOWN THE WALLS OF CHOLESTEROL” are our registered trademarks. The other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this prospectus are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

Our financial information contained herein are presented in Canadian dollars. All references in this prospectus to “dollars”, “CDN\$” and “\$” refer to Canadian dollars, and references to “US\$” refer to United States dollars. Potential purchasers should be aware that foreign exchange rate fluctuations are likely to occur from time to time and that we do not make any representation with respect to future currency values. Investors should consult their own advisors with respect to the potential risk of currency fluctuations.

All financial information derived from our financial statements contained in this prospectus is presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. We use multiple financial measures for the review of our operating performance. These measures are generally IFRS financial measures, but one adjusted financial measure, Non-IFRS operating loss (adding to net loss, finance expenses, depreciation and amortization and impairment loss, change in fair value of derivative warrant liabilities, stock-based compensation and subtracting finance income and deferred income tax recovery), is also used to assess our operating performance. We use this measure, in addition to the IFRS financial measures, for the purposes of evaluating our historical and prospective financial performance, as well as our performance relative to competitors and to plan and forecast future periods as well as to make operational and strategic decisions. We believe that providing this non-IFRS information to investors, in addition to IFRS measures, allows them to see our results through the eyes of our management, and to better understand our historical and future financial performance. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Caution Regarding Non-IFRS Financial Measures”.

Unless otherwise indicated, market data and certain industry data and forecasts included in this prospectus concerning our industry and the markets in which we operate or seek to operate were obtained from internal company surveys, market research, publicly available information, reports of governmental agencies and industry publications and surveys. We have relied upon industry publications as our primary sources for third-party industry data and forecasts. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon management’s knowledge of the industry, have not been independently verified. By their nature, forecasts are particularly subject to change or inaccuracies, especially over long periods of time. In addition, we do not know what assumptions regarding general economic growth were used in preparing the forecasts cited in this prospectus. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors” in this prospectus. While we believe our internal business research is reliable and market definitions are appropriate, neither such research nor definitions have been verified by any independent source.

## SUMMARY

*This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in our securities. You should carefully read this entire prospectus, including the sections of this prospectus entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and our financial statements and related notes, before investing in our securities.*

### **Our Company**

We are a biopharmaceutical innovator focused on the research, development and commercialization of prescription drugs using omega 3, or OM3, fatty acids derived from krill oil. OM3 fatty acids have extensive clinical evidence of safety and efficacy in lowering triglycerides, or TGs, in patients with hypertriglyceridemia, or HTG. Our lead product candidate is CaPre, an OM3 phospholipid, which we are developing initially for the treatment of severe HTG, a condition characterized by very high levels of TGs in the bloodstream ( $\geq 500$  mg/dL). Market research commissioned by us suggests there is a significant unmet medical need for an effective, safe and well-absorbing OM3 therapeutic that demonstrates a positive impact on the major blood lipids associated with cardiovascular disease risk. We believe that, if supported by our Phase 3 program in the United States, which we initiated during the second half of 2017 and for which we plan to start clinical site activation by the end of 2017, CaPre will address this unmet medical need. We also believe the potential exists to expand CaPre’s initial indication to patients with high TGs (blood levels between 200 – 499 mg/dL), although at least one additional clinical trial would likely be required to expand CaPre’s indication to this segment. We may seek to identify new potential indications for CaPre that may be appropriate for future studies and pipeline expansion. In addition, we may also seek to in-license other cardiometabolic drug candidates for drug development and commercialization.

In four clinical trials conducted to date, we saw the following beneficial effects with CaPre, and we are seeking to demonstrate similar results in our Phase 3 program:

- significant reduction of TGs and non-high-density lipoprotein cholesterol (non-HDL-C) levels in the blood of patients with mildly elevated to severe HTG;
- no deleterious effect on low-density lipoprotein cholesterol, or LDL-C, or “bad” cholesterol, with the potential to reduce LDL-C;
- potential to increase high-density lipoprotein cholesterol, or HDL-C, or “good” cholesterol;
- good bioavailability (absorption by the body), even under fasting conditions;
- no significant food effect (meaning minimal difference in absorption) when taken with low-fat or high-fat meals; and
- an overall safety profile similar to that demonstrated by currently marketed OM3s.

We believe that these features could set CaPre apart from current FDA-approved OM3 treatment options, and could give us a significant clinical and marketing advantage.

CaPre is a krill oil-derived mixture containing polyunsaturated fatty acids, or PUFAs, primarily composed of OM3 fatty acids, principally eicosapentaenoic acid, or EPA, and docosahexaenoic acid, or DHA, present as a combination of phospholipid esters and free fatty acids. EPA and DHA are well known to be beneficial for human health, and according to numerous recent clinical studies, may promote healthy heart, brain and visual function, and may also contribute to reducing inflammation and blood TGs. Krill is a natural source of phospholipids and OM3 fatty acids. The EPA and DHA contained in CaPre are delivered as a combination of

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OM3s as free fatty acids and OM3s bound to phospholipid esters, allowing these PUFAs to reach the small intestine where they undergo rapid absorption and transformation into complex fat molecules that are required for lipid transport in the bloodstream. We believe that EPA and DHA are more efficiently transported by phospholipids sourced from krill oil than the EPA and DHA contained in fish oil that are transported either by TGs (as in dietary supplements) or as ethyl esters in other prescription OM3 drugs (such as LOVAZA and VASCEPA), which must then undergo additional digestion before they are ready for transport into the bloodstream. The digestion and absorption of OM3 ethyl ester drugs requires a particular enzymatic process that is highly dependent on the fat content of a meal – the higher the fat content, the better the OM3 ethyl ester absorption. High fat content meals are not recommended in patients with HTG. We believe that CaPre’s superior absorption profile could represent a significant clinical advantage, since taking it with a low-fat meal represents a more realistic regimen for patients with HTG who must follow a restricted low-fat diet.

CaPre is intended to be used as a therapy combined with positive lifestyle changes, such as a healthy diet and exercise, and can be administered either alone or with other drug treatment regimens such as statins (a class of drug used to reduce LDL-C). CaPre is intended to be taken orally once or twice per day in capsule form.

Key elements of our business and commercialization strategy include initially obtaining regulatory approval for CaPre in the United States for severe HTG. Currently, we do not have dedicated in-house sales and marketing personnel, and we are evaluating several alternative go-to-market strategies for commercializing CaPre in the United States, including through strategic partnerships as well as building our own sales and marketing organization. Our preferred strategy outside the United States is to commercialize CaPre through regional or country-specific strategic partnerships, and to potentially seek support and funding from each partner for clinical development, registration and commercialization activities. We believe that a late development-stage and differentiated drug candidate like CaPre could be attractive to various global, regional or specialty pharmaceutical companies, and we are taking a targeted approach to partnering and licensing in various geographies.

Our key commercialization goals include:

- completing our Phase 3 program and, assuming the results are positive, filing a new drug application, or NDA, to obtain regulatory approval for CaPre in the United States, initially for the treatment of severe HTG, with the potential to afterwards expand CaPre’s indication to the treatment of high TGs (although at least one additional clinical trial would likely be required to expand CaPre’s indication to this segment);
- continuing to strengthen our patent portfolio and other intellectual property rights;
- continuing to evaluate and determine the optimal strategic approach for commercializing CaPre in the United States; and
- pursuing strategic opportunities outside of the United States, such as licensing or similar transactions, joint ventures, partnerships, strategic alliances or alternative financing transactions, to provide development capital, market access and other strategic sources of capital for us.

In addition to completing our Phase 3 program, we expect that additional time and capital will be required to complete the filing of an NDA to obtain FDA pre-market approval for CaPre in the United States, and to complete business development collaborations, marketing and other pre-commercialization activities before reaching the commercial launch of CaPre.

### **Summary Risk Factors**

Investing in our securities involves a high degree of risk. You should carefully consider the risks described in “Risk Factors” before making a decision to invest in our securities. If any of these risks actually occur,



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our business, financial condition and results of operations would likely be materially adversely affected. In such a case, the trading price of our securities would likely decline and you may lose part or all of your investment. Below is a summary of some of the principal risks we face:

- we may not be able to maintain our operations and advance our research and development of CaPre without additional funding;
- if we encounter difficulties enrolling patients in our Phase 3 program, our development activities for CaPre could be delayed or otherwise adversely affected;
- our prospects currently depend entirely on the success of CaPre, which is still in clinical development, and we may not be able to generate revenues from CaPre;
- we may not be able to obtain required regulatory approvals for CaPre;
- we may not achieve our publicly announced milestones on time, or at all;
- if outcome studies being conducted by two of our competitors testing the impact of OM3s as an add-on to statin therapy on treating patients with high TGs are negative, there could also be an adverse impact for CaPre;
- recent and future legal developments could make it more difficult and costly for us to obtain regulatory approvals for CaPre and negatively affect the prices we may charge;
- we may not be able to compete effectively against our competitors' pharmaceutical products;
- we may never become profitable or be able to sustain profitability;
- we may not be able to attain our targeted cost of goods sold, and levels of insurance reimbursement for CaPre may not be commercially viable in all global markets;
- we currently have no marketing and sales personnel and, as a company, no experience in marketing products. If we are unable to establish marketing and sales capabilities or enter into agreements with a strategic partner to market and sell CaPre, we may not be able to generate revenue;
- we may not reach a definitive agreement in connection with our recently announced non-binding term sheet with a leading China-based pharmaceutical company that would grant the China-based company an exclusive license to commercialize CaPre in certain Asian countries;
- even if we receive regulatory approval for CaPre, it may just be for a limited indication;
- we rely on third parties to conduct our clinical trials for CaPre;
- we rely on third parties to manufacture, produce and supply CaPre and may be adversely affected if those third parties are unable or unwilling to fulfill their obligations, including complying with FDA requirements;
- in the past, Neptune Technologies & Bioresources Inc., or Neptune, supplied us with the krill oil to produce CaPre for our clinical programs, including the krill oil projected to be needed for our Phase 3 program, and we will need to source alternative supplies of krill oil for future commercial supplies in light of Neptune's recent announcement to discontinue krill oil production;
- it is difficult and costly to protect our intellectual property rights;
- we rely on a sublicense granted to us by Neptune through its license with Aker BioMarine Antarctic AS in order for us to have "freedom-to-operate" for CaPre and we may not be able to manufacture and market CaPre if our sublicense is terminated;
- CaPre may infringe the intellectual property rights of others, which could increase our costs and delay or prevent CaPre's development and commercialization efforts; and
- there is a significant risk that we may be characterized as a passive foreign investment company for U.S. federal income tax purposes.

### **Implications of Being an Emerging Growth Company and a Foreign Private Issuer**

As a company with less than US\$1.07 billion in revenue during our most recently completed fiscal year, we qualify as an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended (the Securities Act) as modified by the Jumpstart our Business Startups Act of 2012 (the JOBS Act). As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions until we are no longer an emerging growth company. We will cease to be an emerging growth company on the last day of our fiscal year following the fifth anniversary of the first sale of our common shares pursuant to an effective registration statement. We also would cease to be an emerging growth company if we have US\$1.07 billion or more in annual revenues as of the end of our fiscal year, more than US\$700 million in market value of our shares held by non-affiliates as of the end of our second fiscal quarter, or we issue more than US\$1.0 billion of non-convertible debt securities over a three-year period. We may choose to take advantage of some but not all of these reduced disclosure obligations. If we do, the information that we provide shareholders may be different than you might get from other public companies in which you hold shares.

We report under the Securities Exchange Act of 1934, as amended (the Exchange Act) as a non-U.S. company with foreign private issuer status. As a foreign private issuer, we may take advantage of certain provisions in the NASDAQ Listing Rules that allow us to follow Canadian law for certain corporate governance matters. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the U.S. Securities and Exchange Commission of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events;
- the sections of the Exchange Act requiring U.S. GAAP financial statements (rather than financial statements pursuant to IFRS as issued by the IASB used by us); and
- Regulation Fair Disclosure, or Regulation FD, which regulates selective disclosures of material information by issuers.

Both foreign private issuers and emerging growth companies are also exempt from certain more stringent executive compensation disclosure rules. Even if we no longer qualify as an emerging growth company, but remain a foreign private issuer, we will continue to be exempt from the more stringent compensation disclosures required of companies that are neither an emerging growth company nor a foreign private issuer.

### **Corporate Information**

We were incorporated on February 1, 2002 under Part 1A of the *Companies Act* (Québec) under the name “9113-0310 Québec Inc”. On August 7, 2008, pursuant to a Certificate of Amendment, we changed our name to “Acasti Pharma Inc.” and on February 14, 2011, the *Business Corporations Act* (Québec) came into effect and replaced the *Companies Act* (Québec). We are now governed by the *Business Corporations Act* (Québec), or the QBCA.

Our principal executive offices are currently located at 545 Promenade du Centropolis, Suite 100, Laval, Québec, Canada H7T 0A3. Our telephone number is (450) 686-4555.

## THE OFFERING

<b>Common shares being offered</b>	6,755,000 common shares (or 7,505,556 common shares if the underwriters exercise their option to purchase additional shares in full).
<b>Common shares to be outstanding immediately after this offering</b>	21,669,658 common shares (or 22,420,214 common shares if the underwriters exercise their option to purchase additional shares in full).
<b>Warrants</b>	<p>Each common share offered is being sold together with a warrant to purchase 0.90 of a common share. Each full warrant will be exercisable at an exercise price per share not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective. The warrants are exercisable at any time for a period of five years from the date on which such warrants were issued. This prospectus also relates to the offering of the common shares issuable upon exercise of the warrants.</p> <p>From and after one year following their issuance, we may redeem the outstanding warrants without the consent of any third party or the underwriter:</p> <ul style="list-style-type: none"><li>• in whole and not in part;</li><li>• at a price of US\$0.001 per warrant, so long as a registration statement relating to the common shares issuable upon the exercise of the warrants has been effective and current during the 30 consecutive trading day period described below;</li><li>• upon not less than 30 days' prior written notice of redemption; and</li><li>• if, and only if, the last closing trade price of our common shares equals or exceeds 200% of the warrant exercise price (subject to adjustment for splits, dividends, recapitalization and other similar events) for any 20 consecutive trading day period ending three business days before we send the notice of redemption to the holders of warrants.</li></ul> <p>If the foregoing conditions are satisfied and we call the warrants for redemption, each holder of warrants will then be entitled to exercise his, her or its warrants prior to the date scheduled for redemption. However, there can be no assurance that the price of the common shares will exceed the warrants exercise price after the redemption call is made.</p>
<b>Over-allotment option</b>	We have granted the underwriters an option for a period of up to 30 days from the date of this prospectus to purchase up to an additional 750,556 common shares and/or warrants to purchase up

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to an aggregate of 675,500 common shares at an exercise price (for each full warrant) per share not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective, in any combinations thereof, to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions.

Because the warrants are not listed on a national securities exchange or other nationally recognized trading market, the underwriters will be unable to satisfy any over-allotment of shares and warrants without exercising the underwriters' over-allotment option with respect to the warrants. As a result, the underwriters will exercise their over-allotment option for all of the warrants which are over-allotted, if any, at the time of the initial offering of the shares and the warrants. However, because our common stock is publicly traded, the underwriters may satisfy some or all of the over-allotment of shares of our common stock, if any, by purchasing shares in the open market and will have no obligation to exercise the over-allotment option with respect to our common stock.

**NASDAQ Stock Market and TSXV symbol**

ACST

**Use of proceeds**

We estimate that we will receive net proceeds from this offering of approximately US\$        million, or US\$        million if the underwriters exercise in full their option to purchase additional common shares and warrants, after deducting underwriting discounts and commissions and estimated offering expenses.

We currently intend to use the net proceeds of this offering, together with our cash on hand, for the further development of CaPre, including clinical site activation, progression of patient enrollment and production of clinical materials (both CaPre and placebo) for our Phase 3 program; expansion of business development activities; working capital; and other general corporate purposes.

**Dividend policy**

We have not declared any dividends since our inception and do not anticipate that we will do so in the foreseeable future. We currently intend to retain future earnings, if any, to finance the development of our business. Any future payment of dividends or distributions will be determined by our board of directors on the basis of our earnings, financial requirements and other relevant factors.

**Risk factors**

Investing in our securities involves a high degree of risk and purchasers of our securities may lose part or all of their investment. See "Risk Factors" for a discussion of factors you should carefully consider before deciding to invest in our securities.

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The number of our common shares to be outstanding after this offering is based on 14,914,658 of our common shares outstanding as of December 13, 2017. The number of common shares to be outstanding after this offering excludes the following:

- 2,395,788 common shares issuable upon the exercise of options issued to our directors, officers and employees, at a weighted-average exercise price of \$1.82 per common share;
- 1,052,630 common shares issuable upon conversion of debentures at an exercise price of \$1.90 per common share;
- 1,840,000 common shares issuable upon the exercise of warrants at a weighted-average exercise price of US\$15.00 per common share;
- 161,654 common shares issuable upon the exercise of warrants at a weighted-average exercise price of \$13.30 per common share;
- 1,904,034 common shares issuable upon the exercise of warrants at an exercise price of \$2.15 per common share;
- 117,496 common shares issuable upon the exercise of broker warrants at an exercise price of \$2.15 per common share;
- 337,750 common shares issuable upon the exercise of underwriter warrants at an exercise price of US\$        per common share issued in connection with this offering; and
- 6,079,500 common shares issuable upon the exercise of warrants to be issued to investors in connection with this offering at an exercise price per common share (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective.

Additionally, except as otherwise indicated herein, all information in this prospectus assumes no exercise of the underwriters' option to purchase additional common shares and warrants.

## RISK FACTORS

*An investment in our securities involves a high degree of risk and should be considered speculative. An investment in our securities should only be undertaken by those persons who can afford the total loss of their investment. You should carefully consider the risks and uncertainties described below, as well as other information contained in this prospectus. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any of these risks actually occur, our business, financial condition, prospects, results of operations or cash flow could be materially and adversely affected and you could lose all or a part of the value of your investment. Certain statements below are forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements".*

### **Risks Facing Our Business and Industry**

***We may not be able to maintain our operations and advance our research and development of CaPre without additional funding.***

We have incurred operating losses and negative cash flows from operations since our inception. To date, we have financed our operations through public offerings and private placements of securities, proceeds from exercises of warrants, rights and options, and receipt of research tax credits and research grant programs. Our cash and cash equivalents (including restricted investments) were \$5.3 million as of September 30, 2017, \$9.8 million as of March 31, 2017 and \$12.5 million as of February 29, 2016. Our current assets as at September 30, 2017 are projected to be significantly less than needed to support our current liabilities as at September 30, 2017 when combined with our projected level of expenses for the next twelve months, including initiation of, and enrollment of patients in, our Phase 3 program for CaPre. Our positive working capital balance has declined during the current fiscal year and is expected to continue to decline until we raise additional funds or find a strategic partner. We will also require substantial additional funds to conduct further research and development and our Phase 3 program, obtain regulatory approvals and commercialize CaPre. In addition to completing nonclinical and clinical trials, we expect that additional time and capital will be required by us to file an NDA to obtain FDA approval for CaPre in the United States and to complete marketing and other pre-commercialization activities. We will also most likely require additional capital to fund our daily operating needs. To achieve our business plan, we will need to raise the necessary capital primarily through additional securities offerings and strategic alliances in the near term. We have no committed source of additional capital from Neptune, which currently owns approximately 34% of our common shares, or any other party, and if we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue our development or commercialization of CaPre or our other research and development initiatives. Funding needs could also force us to seek strategic partners for CaPre at an earlier stage than we desire or on terms that are less favorable to us or force us to relinquish or license our rights to CaPre on unfavorable terms or in markets where we would prefer to pursue development or commercialization ourselves. Additional funding from third parties may not be available on acceptable terms or at all to enable us to continue and complete our research and development of CaPre.

We recently entered into a non-binding term sheet with a leading China-based pharmaceutical company. Completion of the transaction is subject to further negotiation and execution of a definitive agreement, which once signed would grant an exclusive license to the Chinese pharmaceutical company to commercialize CaPre in certain Asian countries, including China. If a definitive agreement is reached and signed, the term sheet contemplates that we would receive an upfront payment of US\$8 million upon signing, plus potential regulatory and commercial milestone payments in excess of US\$125 million, and tiered double-digit royalties on net sales. The term sheet contemplates that the term of the license, including the period during which milestone payments, if any, could be achieved, would be the later of (i) the fifth anniversary of the last-to-expire patent or (ii) 2035, and the license would be automatically renewable for one renewal term of ten years. The term sheet is preliminary and non-binding at this stage and the license, upfront payment, possible milestone payments and royalties contemplated by it will only become operative if definitive documents are executed. It is possible that no definitive agreement will be reached, or, if a definitive agreement is reached, that its terms and conditions

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may differ from those described above. If we do enter into definitive documents, the near term timing of the next steps in the advancement of our research and development of CaPre could be affected, depending on whether our development of CaPre in those Asian countries would be pursued under a separate clinical program or as part of our existing Phase 3 clinical program.

If we do not raise additional funds or find one or more strategic partners, we may not be able to realize our assets and discharge our liabilities in the normal course of business. As a result, there exists a material uncertainty that casts substantial doubt about our ability to continue as a going concern and, therefore, realize our assets and discharge our liabilities in the normal course of business. Our financial statements have been prepared on a going-concern basis, which assumes we will continue our operations in the foreseeable future and will be able to realize our assets and discharge our liabilities and commitments in the ordinary course of business. If we are unable to continue as a going concern, material write-downs to the carrying value of our assets, including intangible assets, could be required. If we fail to obtain additional financing, we may not be able to continue as a going concern.

***If we encounter difficulties enrolling patients in our Phase 3 program, our development activities for CaPre could be delayed or otherwise adversely affected.***

We may experience difficulties in patient enrollment in our clinical trials, including our Phase 3 program for CaPre, for a variety of reasons. Timely completion of our clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. The enrollment of patients depends on many factors, including:

- the number of clinical trials for other product candidates in the same therapeutic area that are currently in clinical development, and our ability to compete with those trials for patients and clinical trial sites;
- patient eligibility criteria defined in the protocol;
- the size of the patient population;
- the risk that disease progression will result in death before the patient can enroll in clinical trials or before the completion of any clinical trials in which the patient is enrolled;
- the proximity and availability of clinical trial sites for prospective patients;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before completion.

Our Phase 3 program for CaPre may compete with other clinical trials for product candidates that are in the same therapeutic areas as CaPre. This competition could reduce the number and types of patients and qualified clinical investigators available to us, because some patients who might have opted to enroll in our Phase 3 program may instead opt to enroll in a trial being conducted by one of our competitors or a clinical trial site may not allow us to conduct our clinical program at that site if competing trials are already being conducted there. We may also encounter difficulties finding adequate clinical trial sites at which to conduct our Phase 3 program. Delays in patient enrollment may result in increased costs or may affect the timing or outcome of our Phase 3 program, which could impair or prevent its completion and adversely affect our ability to advance the development of CaPre.

***Our prospects currently depend entirely on the success of CaPre, which is still in clinical development, and we may not be able to generate revenues from CaPre.***

We have no prescription drug products that have been reviewed or approved by the FDA, Health Canada or any similar regulatory authority. Our only prescription drug candidate is CaPre, for which we have not yet filed an

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NDA, and for which we must conduct a Phase 3 program, undergo further development activities and seek and receive regulatory approval prior to commercial launch, which we do not anticipate will occur until the second half of 2021 at the earliest. We have invested significant effort and financial resources in researching and developing CaPre. Further development of CaPre will require substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from sales of CaPre, if it is ever approved for commercialization.

We do not have any other prescription drug candidates in development and so our business prospects currently depend entirely on the successful development, regulatory approval and commercialization of CaPre, which may never occur. Most prescription drug candidates never reach the clinical development stage and even those that do reach clinical development have only a small chance of successfully completing clinical development and gaining regulatory approval. If we are unable to successfully commercialize CaPre, we may never generate meaningful revenues. In addition, if CaPre reaches commercialization and there is low market demand for CaPre or the market for CaPre develops less rapidly than we anticipate, we may not have the ability to shift our resources to the development of alternative products.

### ***We may not be able to obtain required regulatory approvals for CaPre.***

We have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including approval by the FDA and, as a company, we have no experience in obtaining approval of any product candidates. The research, testing, manufacturing, labeling, packaging, storage, sale, marketing, pricing, export, import and distribution of prescription drug products are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries and those regulations differ from country to country. We are not permitted to market CaPre in the United States until we receive approval of an NDA from the FDA and similar restrictions apply in other countries. In the United States, the FDA generally requires the completion of preclinical testing and clinical trials of each drug to establish its safety and efficacy and extensive pharmaceutical development and manufacturing controls to ensure its quality before an NDA is approved. Regulatory authorities in other jurisdictions impose similar requirements. Of the large number of drugs in development, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization. To date, we have not submitted an NDA for CaPre to the FDA or comparable applications to other regulatory authorities.

Our receipt of required regulatory approvals for CaPre is uncertain and subject to a number of risks, including:

- the FDA or comparable foreign regulatory authorities or independent institutional review boards, or IRBs, may disagree with the design or implementation of our clinical trials;
- we may not be able to provide acceptable evidence of the safety and efficacy of CaPre;
- the results of our clinical trials may not meet the level of statistical or clinical significance required by the FDA or other regulatory agencies for marketing approval;
- the dosing of CaPre in a particular clinical trial may not be at an optimal level;
- patients in our clinical trials may suffer adverse effects for reasons that may or may not be related to CaPre;
- we may be unable to demonstrate that CaPre's clinical and other benefits outweigh its safety risks;
- the data collected from our clinical trials may not be sufficient to support the submission of an NDA for CaPre or to obtain regulatory approval for CaPre in the United States or elsewhere;
- the FDA or comparable foreign regulatory authorities may not approve the manufacturing processes or facilities of third party manufacturers with which we contract for clinical and commercial supplies of CaPre; and
- the law or regulations or approval policies of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.



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The FDA and other similar regulators have substantial discretion in the approval process and may refuse to accept our application or may decide that our data is insufficient for approval and require additional clinical trials, or preclinical or other studies for CaPre. If regulatory approval for CaPre is obtained in one jurisdiction, that does not necessarily mean that CaPre will receive regulatory approval in all jurisdictions in which we seek approval. If we fail to obtain approval for CaPre in one or more jurisdictions, our ability to obtain approval in a different jurisdiction may be negatively affected.

***We may not achieve our publicly announced milestones on time, or at all.***

From time to time, we may publicly announce the timing of certain events we expect to occur, such as the anticipated timing of results from our clinical trials. These statements are forward-looking and are based on the best estimate of management at the time relating to the occurrence of the events. However, the actual timing of these events may differ from what has been publicly disclosed. The timing of events such as completion of a clinical trial, discovery of a new product candidate, filing of an application to obtain regulatory approval, beginning of commercialization of products, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. For example, we cannot provide assurances that we will conduct our Phase 3 clinical trials for CaPre, that we will make regulatory submissions or receive regulatory approvals as planned, or that we will be able to adhere to plans for the scale-up of manufacturing and launch of CaPre. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a supplier or a distribution partner or any other event having the effect of delaying the publicly announced timeline. We undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously-announced milestones could have a material adverse effect on our business, financial condition or operating results and the trading price of our common shares.

***If outcome studies being conducted by two of our competitors testing the impact of OM3 on treating patients with high TGs are negative, there could also be an adverse impact for CaPre.***

We are currently awaiting outcome study data from two of our competitors that are testing the effects of OM3 on patients with high TGs. These cardiovascular outcome studies are expected to report in mid-2018 (the REDUCE-IT trial sponsored by Amarin) and 2019 (the STRENGTH trial sponsored by AstraZeneca). If those studies show that OM3 therapeutic drugs effectively treat patients with high TGs and improve cardiovascular, morbidity and mortality outcomes, we believe that the potential to expand CaPre's indication in the future to include the treatment of high TGs would be significantly advanced. Conversely, if outcome study data from one or both of those competitors is negative, or if one or both clinical trials fail to be completed, our potential target market for CaPre could be limited solely to patients with severe HTG and our ability to realize greater market potential of CaPre could be harmed.

***Reimbursement decisions by third-party payors may have an adverse effect on pricing and market acceptance. If there is not sufficient reimbursement for CaPre, it is less likely that it will be widely used.***

Even if CaPre is approved for sale by the appropriate regulatory authorities, market acceptance and sales of CaPre will depend on reimbursement policies and may be affected by future healthcare reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs they will reimburse and establish payment levels. We cannot be certain that reimbursement will be available for CaPre. If reimbursement is not available or is available on a limited basis, we may not be able to successfully commercialize CaPre.

There may be significant delays in obtaining coverage and reimbursement for newly-approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or other regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution expenses. Interim

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reimbursement levels for new drugs, if applicable, may also be insufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of a drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for CaPre could have a material adverse effect on our operating results and our overall financial condition.

***Recent and future legal developments could make it more difficult and costly for us to obtain regulatory approvals for CaPre and negatively affect the prices we may charge.***

In the United States and elsewhere, recent and proposed legal and regulatory changes to healthcare systems could prevent or delay our receipt of regulatory approval for CaPre, restrict or regulate our post-approval marketing activities, and adversely affect our ability to profitably sell CaPre. Proposals have also been made to expand post-approval requirements and to restrict sales and promotional activities for pharmaceutical products. We do not know whether additional legislative changes will be enacted, or whether the FDA's regulations, guidance or interpretations will be changed, or what impact any such changes will have, if any, on our ability to obtain regulatory approvals for CaPre. Further, the Centers for Medicare and Medicaid Services, or CMS, frequently changes product descriptors, coverage policies, product and service codes, payment methodologies and reimbursement values. Also, increased scrutiny by the U.S. Congress of the FDA's approval process could significantly delay or prevent our receipt of regulatory approval for CaPre and subject us to more stringent product labeling and post-marketing testing and other requirements.

In the United States, the Medicare Modernization Act, or the MMA, changed the way Medicare covers and pays for pharmaceutical products. The MMA expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for drugs. In addition, the MMA authorized Medicare Part D prescription drug plans to use formularies where they can limit the number of drugs that will be covered in any therapeutic class. As a result of the MMA and the expansion of federal coverage of drug products, we expect there will be additional pressure to contain and reduce healthcare costs. These healthcare cost reduction initiatives and other provisions of the MMA could decrease the coverage and price that we would receive for CaPre. While the MMA applies only to drug benefits for Medicare beneficiaries, private health insurance companies often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private health insurance companies.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (the Health Care Reform Law), has broadened access to health insurance, reduced or constrained the growth of healthcare spending, enhanced remedies against fraud and abuse, added new transparency requirements for the healthcare and health insurance industries, imposed new taxes and fees on the health industry and imposed additional health policy reforms. Provisions of the Health Care Reform Law affecting pharmaceutical companies include requirements to offer discounts on brand-name drugs to patients who fall within the Medicare Part D coverage gap, commonly referred to as the "donut hole", and to pay an annual non-tax deductible fee to the federal government based on each company's market share of prior year total sales of branded products to certain federal healthcare programs, such as Medicare, Medicaid, Department of Veterans Affairs and Department of Defense.

Despite initiatives to invalidate the Health Care Reform Law, the U.S. Supreme Court has upheld key aspects of it. Due to the results of the recent presidential election, the Health Care Reform Law may be significantly changed and we do not know whether any such changes could have significant negative financial impacts on the development or potential profitability of CaPre. At this time, it remains unclear whether there will be any changes made to the Health Care Reform Law, whether to certain provisions or its entirety. The Health Care Reform Law or any replacement of it could continue to apply downward pressure on pharmaceutical pricing,

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especially under the Medicare program, and may also increase our regulatory burdens and operating costs. Additional federal healthcare reform measures could be adopted in the future limiting the amounts that federal and state governments will pay for healthcare products and services, which could negatively affect the value of CaPre and our ability to achieve profitability.

In Canada, most new patented drug prices are limited so that the cost of therapy is in the range of the cost of therapy for existing drugs sold in Canada used to treat the same disease. As a result:

- prices of moderate and substantial improvement drugs and breakthrough drugs are also restricted by a variety of tests;
- existing patented drug prices cannot increase by more than the Canadian Consumer Price Index; and
- the Canadian prices of patented medicines can never be the highest in the world.

If CaPre receives regulatory approval in Canada, restrictions on the price we can charge there for CaPre could reduce the value of CaPre and our ability to generate revenue and achieve profitability.

In many jurisdictions outside the United States, a product candidate must be approved for health care reimbursement before it can be approved for sale. In some cases, the price that we intend to charge for CaPre will also be subject to approval. If we fail to comply with the regulatory requirements in our target international markets or to receive required marketing approvals, our potential market for CaPre will be reduced and our ability to realize the full market potential for CaPre will be harmed.

### ***We may not be able to compete effectively against our competitors' pharmaceutical products.***

The biotechnology and pharmaceutical industries are highly competitive. There are many pharmaceutical companies, biotechnology companies, public and private universities and research organizations actively engaged in the research and development of products that may be similar to CaPre. It is probable that the number of companies seeking to develop products and therapies similar to CaPre will increase. Many of these and other existing or potential competitors have substantially greater financial, technical and human resources than we do and may be better equipped to develop, manufacture and market products. These companies may develop and introduce products and processes competitive with or superior to CaPre. In addition, other technologies or products may be developed that have an entirely different approach or means of accomplishing the intended purposes of CaPre, which might render our technology and CaPre non-competitive or obsolete.

Our competitors in the United States and globally include large, well-established pharmaceutical companies, specialty pharmaceutical sales and marketing companies, and specialized cardiovascular treatment companies. GlaxoSmithKline plc, which currently sells LOVAZA, a prescription-only OM3 fatty acid indicated for patients with severe HTG, was approved by FDA in 2004 and has been on the market in the United States since 2005. Multiple generic versions of LOVAZA are now available in the United States. Amarin launched its prescription-only OM3 drug VASCEPA in 2013, and reached a market share of approximately 20% by the end of 2015. In addition, EPANOVA (OM3-carboxylic acids) capsules, a free fatty acid form of OM3 (comprised of 55% EPA and 20% DHA), is FDA-approved for patients with severe HTG. Omtryg, another OM3 fatty acid composition developed by Trygg Pharma AS, received FDA approval for severe HTG. Neither EPANOVA nor Omtryg have yet been commercially launched, but could launch at any time. Other large companies with products competing indirectly with CaPre include AbbVie, Inc., which currently sells Tricor and Trilipix for the treatment of severe HTG, and Niaspan, which is primarily used to raise HDL-C but is also used to lower TGs. Generic versions of Tricor, Trilipix and Niaspan are also now available in the United States. In addition, we are aware of a number of other pharmaceutical companies that are developing products that, if approved and marketed, would compete with CaPre.

Even if it receives regulatory approval, CaPre may need to demonstrate compelling comparative advantages in efficacy, convenience, tolerability and safety to be commercially successful. Other competitive factors, including generic drug competition, could force us to lower prices or could result in reduced sales of CaPre. In addition,

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new products developed by others could emerge as competitors to CaPre. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition and operations will suffer.

***We may never become profitable or be able to sustain profitability.***

We are a clinical-stage biopharmaceutical company with a limited operating history. The likelihood of the success of our business plan must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered when developing and expanding early-stage businesses and the regulatory and competitive environment in which we operate. Biopharmaceutical product development is a highly speculative undertaking, involves a substantial degree of risk and is a capital-intensive business. We expect to incur expenses without any meaningful corresponding revenues unless and until we are able to obtain regulatory approval for and begin selling CaPre in significant quantities. We filed our investigational new drug application, or IND, for CaPre in late 2013, which allowed us to initiate clinical development in the United States towards FDA approval for CaPre. To date, we have not generated any revenue from CaPre, and we may never be able to obtain regulatory approval for marketing CaPre in any indication. Even if we are able to commercialize CaPre, we may still not generate significant revenues or achieve profitability. Additionally, we may not be able to attain our targeted cost of goods sold, and levels of insurance reimbursement for CaPre may not be commercially viable in all global markets. We incurred net losses of \$4.5 million for the three-month period ended September 30, 2017, \$7.3 million for the six-month period ended September 30, 2017, \$11.2 million for the thirteen month period ended March 31, 2017, and \$6.3 million and \$1.7 million for our fiscal years ended 2016 and 2015, respectively. As of September 30, 2017, we had an accumulated deficit of \$58.2 million.

We expect that our expenses will increase significantly as we continue our Phase 3 clinical program for CaPre under the current indication and prepare to seek FDA approval for the commercial launch of CaPre. We also expect that our research and development expenses will continue to increase if we pursue FDA approval for CaPre for other indications. As a result, we expect to continue to incur substantial losses for the foreseeable future, and these losses may be increasing. We are uncertain about when or if we will be able to achieve or sustain profitability. If we fail to become and remain profitable, our ability to sustain our operations and to raise capital could be impaired and the price of our common shares could decline.

***We currently have no marketing and sales personnel and, as a company, no experience in marketing products. If we are unable to establish marketing and sales capabilities or enter into agreements with a strategic partner to market and sell CaPre, we may not be able to generate revenue.***

We currently have no sales, marketing or distribution personnel and, as a company, we have no experience in marketing products. If CaPre or another of our future product candidates is approved for commercialization, unless we find a strategic partner to assist us with sales, marketing and distribution, we will be required to develop in-house marketing and sales force capability, which would require significant capital expenditures, management resources and time. Also, we would have to compete with other biotechnology and pharmaceutical companies to recruit, hire, train and retain marketing and sales personnel. We face competition in our search for strategic partners to assist us with sales, marketing and distribution, and we may not be able to establish or maintain any such arrangements. If we do find strategic partners, any revenue we receive from CaPre would partly depend upon the efforts of each strategic partner, which may not be successful. We may have little or no control over the marketing and sales efforts by any strategic partner we find for CaPre and our revenue may be lower than if we had commercialized CaPre independently.

***If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.***

Our ability to compete in the highly competitive pharmaceuticals industry largely depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. Competition for skilled personnel in our market is intense and competition for experienced scientists and business personnel may limit our ability

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to hire and retain highly qualified personnel on acceptable terms. We are highly dependent on our management, scientific and medical personnel. Despite our efforts to retain valuable employees, members of our management, scientific and medical teams may terminate their employment with us on short notice or potentially without any notice at all. The loss of the services of any of our executive officers or other key employees could potentially harm our business, operating results or financial condition. Our success may also depend on our ability to attract, retain and motivate highly skilled junior, mid-level, and senior managers and scientific personnel. In addition, we do not maintain “key person” insurance policies on the lives of our executives or those of any of our other employees. Other pharmaceutical companies with which we compete for qualified personnel have greater financial and other resources, different risk profiles, and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than what we can offer. If we are unable to continue to attract and retain high-quality personnel, the rate and success at which we can develop and commercialize CaPre and any other future product candidates would be limited.

### ***Neptune has significant influence over matters we put to a vote of our shareholders.***

Neptune currently owns approximately 34% of our outstanding common shares. As a result, Neptune has significant influence with respect to all matters submitted to our shareholders for approval, such as the election and removal of directors, amendments to our articles of incorporation and by-laws and the approval of certain business combinations. This concentration of holdings may cause the market price of our common shares to decline, delay or prevent any acquisition, delay or discourage take-over attempts that shareholders may consider to be favorable, or make it more difficult or impossible for a third party to acquire control of us or effect a change in our board of directors and management. Any delay or prevention of a change of control transaction could deter potential acquirers or prevent the completion of a transaction in which our shareholders could receive a premium over the then current market price for our common shares.

### ***Neptune’s interests may not align with those of us or our other shareholders.***

Neptune’s interests may not in all cases be aligned with interests of us or our other shareholders. Neptune may have an interest in pursuing acquisitions, divestitures and other transactions that may ultimately be detrimental to our business and negatively affect the market price of our common shares.

### ***Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.***

Our operations, and those of our suppliers, third party manufacturers and other contractors and consultants could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. We rely on third-party manufacturers to manufacture CaPre. Our ability to obtain supplies of CaPre could be disrupted if the operations of our manufacturers and suppliers are affected by a man-made or natural disaster or other business interruption.

### ***Even if we receive regulatory approval for CaPre, it may just be for a limited indication.***

If we obtain regulatory approval for CaPre, we will only be permitted to market it for the indication approved by the FDA, and any such approval may put limits on the indicated uses or promotional claims we may make for it, or otherwise not permit labeling that sufficiently differentiates CaPre from competitive products with comparable therapeutic profiles. For example, while our initial objective is to seek regulatory approval for the treatment of severe HTG, afterwards obtaining approval for CaPre to address high TGs could greatly expand our potential market for CaPre. However, even if CaPre is approved for severe HTG, it may never be approved for the treatment of high TGs. In addition, any approval we receive for CaPre could contain significant use restrictions

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for specified age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If any regulatory approval for CaPre contains significant limits, we may not be able to obtain sufficient funding or generate meaningful revenue from CaPre or be able to continue developing, marketing or commercializing CaPre.

### ***We may be unable to find successful strategic partnerships to develop and commercialize CaPre.***

We have started seeking co-development, licensing and/or marketing partnership opportunities with third parties that we believe will complement or augment our development and commercialization efforts for CaPre. Pursuing partnership relationships is requiring us to incur non-recurring and other charges, and may require us to increase our near and long-term expenditures, issue securities that dilute our existing shareholders or disrupt our management and business. Entering into partnership relationships in certain countries could also delay the development of CaPre and our other future product candidates in those countries if we become dependent upon a strategic partner and that strategic partner does not prioritize the development of CaPre relative to its other development activities. In addition, we face significant competition in seeking strategic partners and the negotiation process is time-consuming and complex. We may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for CaPre on our anticipated timeline, or at all, because CaPre may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view CaPre as having the requisite potential to demonstrate safety and efficacy. Even if we do enter into strategic partnerships, those partnerships may not achieve our objectives.

### ***We may be unable to develop alternative product candidates.***

To date, we have not commercialized any prescription drug candidates and, other than CaPre, we do not have any compounds in clinical trials, nonclinical testing, lead optimization or lead identification stages. If we fail to obtain regulatory approval for and successfully commercialize CaPre as a treatment for severe HTG or any other indication, whether as a stand-alone therapy or in combination with other treatments, we would have to develop, acquire or license alternative product candidates or drug compounds to expand our product candidate pipeline beyond CaPre. In such a scenario, we may not be able to identify and develop or acquire product candidates that prove to be successful products, or to develop or acquire them on terms that are acceptable to us.

### ***CaPre could face competition from products for which no prescription is required.***

If it receives regulatory approval, CaPre will be a prescription-only OM3. Mixtures of OM3 fatty acids are naturally occurring substances in various foods, including fatty fish. OM3 fatty acids are also marketed by other companies as dietary supplements or natural health products. Dietary supplements may generally be marketed without a lengthy FDA premarket review and approval process and do not require a prescription. However, unlike prescription drug products, manufacturers of dietary supplements may not make therapeutic claims for their products; dietary supplements may be marketed with claims describing how the product affects the structure or function of the body without premarket approval, but may not expressly or implicitly represent that the dietary supplement will diagnose, cure, mitigate, treat, or prevent disease. We cannot be certain that physicians or consumers will view CaPre as superior to these alternatives or that physicians will be more likely to prescribe CaPre. If the price of CaPre is significantly higher than the prices of commercially available OM3 fatty acids marketed by other companies as dietary supplements or natural health products, physicians may recommend these commercial alternatives instead of CaPre or patients may elect on their own to take commercially available non-prescription OM3 fatty acids. Either of these outcomes could limit how we price CaPre and negatively affect our revenues.

### ***Even if we obtain FDA approval of CaPre, we may never obtain approval or commercialize it outside of the United States, which would limit our ability to realize CaPre's full market potential.***

In order to market CaPre outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not



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mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional clinical testing and validation and additional administrative review periods. Seeking foreign regulatory approvals could result in significant delays, difficulties and costs for us and may require additional preclinical studies or clinical trials, which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of CaPre in those countries. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, our target market will be reduced and our ability to realize the full market potential of CaPre will be harmed.

***If we or our third-party service providers fail to comply with healthcare laws and regulations or government price reporting laws, we could be subject to civil or criminal penalties.***

In addition to the FDA's restrictions on marketing pharmaceutical products, several other types of federal and state healthcare fraud and abuse laws restrict marketing practices in the pharmaceutical industry. These laws include the U.S. Anti-Kickback Statute, U.S. False Claims Act and similar state laws. The U.S. Anti-Kickback Statute prohibits, among other things, offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, or ordering any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. A person or entity does not need to have actual knowledge of the U.S. Anti-Kickback Statute or special intent to violate the law in order to have committed a violation. This statute has been interpreted broadly to apply to arrangements between pharmaceutical manufacturers and prescribers, dispensers, purchasers and formulary managers. The exemptions and safe harbors from prosecution are drawn narrowly and we may fail to meet all of the criteria for safe harbor protection from anti-kickback liability.

In addition, the Health Care Reform Law provides that the government may assert that a claim including items or services resulting from a violation of the U.S. Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the U.S. False Claims Act. Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid. The "qui tam" provisions of the False Claims Act allow a private individual to bring civil actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government. These individuals, sometimes known as "relators" or, more commonly, as "whistleblowers", may share in any amounts paid by the entity to the government in fines or settlement. The number of filings of qui tam actions has increased significantly in recent years, causing more healthcare companies to have to defend a case brought under the federal False Claim Act. If an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus attorneys' fees and costs, and civil penalties of up to US\$21,563 for each separate false claim. Certain administrative sanctions, up to and including exclusion of an entity from participation in the federal healthcare programs, may also ensue.

Additional laws and regulations include:

- the U.S. federal Health Insurance Portability and Accountability Act (HIPAA), as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), which created additional federal criminal statutes that prohibit, among other things, schemes to defraud healthcare programs and imposes requirements on certain types of people and entities relating to the privacy, security, and transmission of individually identifiable health information, and requires notification to affected individuals and regulatory authorities of breaches of security of individually identifiable health information;
- the federal Physician Payment Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, to report annually to the CMS information related to payments and other transfers of value to physicians, other healthcare providers and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members, which is published in a searchable form on an annual basis; and

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- the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Violations of these laws, or allegations of such violations, could result in fines, penalties or prosecution and have a negative impact on our business, results of operations and reputation.

Over the past few years, a number of pharmaceutical and other healthcare companies have been prosecuted under these laws for a variety of alleged prohibited promotional and marketing activities, such as providing free trips, free goods, sham consulting fees and grants and other monetary benefits to prescribers; reporting to pricing services inflated average wholesale prices that were then used by federal programs to set reimbursement rates; engaging in off-label promotion that caused claims to be submitted to Medicaid for non-covered, off-label uses; and submitting inflated best price information to the Medicaid Rebate Program to reduce liability for Medicaid rebates. Most states also have statutes or regulations similar to the U.S. Anti-Kickback Statute and the U.S. False Claims Act, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment. Settlements of U.S. government litigation may include Corporate Integrity Agreements with commitments for monitoring, training, and reporting designed to prevent future violations.

Any action against us for an alleged or suspected violation of these laws could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, achieving and sustaining compliance with these laws and regulations may be costly to us in terms of money, time and resources. If we or any strategic partners, manufacturers or service providers fail to comply with these laws, we could be subject to enforcement actions, including:

- adverse regulatory inspection findings;
- warning letters;
- voluntary or mandatory product recalls or public notification or medical product safety alerts to healthcare professionals;
- restrictions on, or prohibitions against, marketing our products;
- restrictions on, or prohibitions against, importation or exportation of our products;
- suspension of review or refusal to approve pending applications or supplements to approved applications;
- exclusion from participation in government-funded healthcare programs;
- exclusion from eligibility for the award of government contracts for our products;
- suspension or withdrawal of product approvals;
- product seizures;
- injunctions; and
- civil and criminal penalties and fines.

### ***We will rely on third parties to conduct our Phase 3 program for CaPre.***

We will rely on contract research organizations, or CROs, to monitor and manage data for our Phase 3 program for CaPre. While we will only control certain aspects of the CRO's activities, we nevertheless are responsible for ensuring that our clinical trials are conducted in accordance with applicable protocols, legal, regulatory and scientific standards, and our reliance on the CRO does not relieve us from those responsibilities. We and the CRO are required to comply with current good clinical practices, or cGCPs, which are regulations and guidelines enforced by the FDA, Health Canada and comparable foreign regulatory authorities for any products in clinical development.



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The FDA enforces these cGCP regulations through periodic inspections of trial sponsors, principal investigators and trial sites. If we or the CRO fail to comply with applicable cGCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, Health Canada or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications for CaPre. Upon inspection, the FDA could determine that our clinical trials do not comply with cGCPs. In addition, our clinical trials must be conducted with products produced under current good manufacturing practice, or cGMP, regulations and require a large number of test subjects. If we or the CRO fail to comply with these regulations, we may have to repeat preclinical studies or clinical trials for CaPre, which would delay the regulatory approval process and could also subject us to enforcement action up to and including civil and criminal penalties.

If our relationship with a CRO terminates, we may not be able to enter into arrangements with alternative CROs. If the CRO does not successfully carry out its duties or obligations or meet expected deadlines, if it needs to be replaced or if the quality or accuracy of the clinical data it obtains is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, we may have to extend, delay or terminate our preclinical studies or clinical trials, and we may not be able to obtain regulatory approval for or successfully commercialize CaPre.

The third parties that will help conduct our Phase 3 Program for CaPre will not be our employees and, except for remedies available to us under our agreements with the CROs, we cannot control whether or not they devote sufficient time and resources to our preclinical, clinical and nonclinical programs. These third parties may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical studies or other drug development activities, which could affect their performance on our behalf.

***We rely on third parties to manufacture, produce and supply CaPre and we may be adversely affected if those third parties are unable or unwilling to fulfill their obligations, including complying with FDA requirements.***

Producing pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Currently, we do not own or operate manufacturing facilities for the production of CaPre. Accordingly, we need to rely on one or more third party contract manufacturers to produce and supply our required drug product for our nonclinical research and clinical trials for CaPre.

Although we are currently working with CordenPharma at its Chenôve facility in Dijon, France to develop a commercially viable manufacturing process for CaPre, doing so is a difficult and uncertain task, and there are risks associated with scaling to the level required for commercialization, including, among others, cost overruns, potential problems with process scale up, process reproducibility, stability issues, lot consistency and timely availability of reagents or raw materials. We may not be able to attain our targeted cost of goods sold for CaPre. Any of these challenges could delay completion of our clinical trials for CaPre, require bridging or repetition of studies or trials, increase development costs, delay approval of CaPre, impair our commercialization efforts, and increase our costs. We may have to delay or suspend the production of CaPre if a third-party manufacturer:

- becomes unavailable for any reason, including as a result of the failure to comply with cGMP regulations;
- experiences manufacturing problems or other operational failures, such as equipment failures or unplanned facility shutdowns required to comply with cGMP or damage from any event, including fire, flood, earthquake, business restructuring or insolvency; or
- fails or refuses to perform its contractual obligations under its agreement with us, such as failing or refusing to deliver the quantities of CaPre requested by us on a timely basis.

If our third-party contract manufacturers fail to achieve and maintain high manufacturing standards in compliance with cGMP regulations, we may be subject to sanctions, including fines, product recalls or seizures, injunctions, delays or suspensions of our clinical trials for CaPre, total or partial suspension of production of

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CaPre, civil penalties, withdrawals of previously granted regulatory approvals, and criminal prosecution. We do not currently have arrangements in place for redundant supply. If any one of our current contract manufacturers cannot perform as agreed, we may be required to replace that manufacturer. Although we believe that there are several potential alternative contract manufacturers who could manufacture CaPre, we may incur added costs and delays in identifying and qualifying any such replacement.

### ***Manufacture of CaPre involves using potentially hazardous materials.***

Manufacturing activities relating to CaPre involve the controlled use of potentially hazardous substances, including chemical and biological materials, such as acetone. Our manufacturers for CaPre will be subject to federal, provincial, state and local laws and regulations in Canada, the United States and in other jurisdictions governing laboratory procedures and the use, manufacture, storage, handling and disposal of medical and hazardous materials. Although we believe that our manufacturers' procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we cannot completely eliminate the risk of contamination or injury resulting from medical or hazardous materials. If any such contamination or injury were to occur, we may incur liability or local, city, provincial, state or federal authorities may curtail the use of these materials and interrupt our business operations and the production of CaPre. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from medical or hazardous materials. Complying with environmental, health and safety laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts relating to CaPre, which could harm our business, prospects, financial condition or results of operations. Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These laws and regulations may make it more difficult for us to conduct our research, development or production activities relating to CaPre and if we fail to comply with them, we could have substantial fines, penalties or other sanctions imposed against us.

### ***We depend on Neptune for certain administrative and accounting services.***

Neptune has provided us in the past with certain shared back office services and functions, including corporate affairs, public company reporting, accounting, payroll, information technology, accounts payable, accounts receivable and shared premises. As of the date of this prospectus, the corporate affairs and public company reporting services have not been renewed, so we are now incurring incremental costs, partially offset by reduced shared service fees, and expect to do so in the future, for providing these services independently or through qualified third parties. If our arrangements with Neptune for the remaining services were to be terminated or not renewed, we may have to incur additional costs to provide them ourselves or to source them from another third party.

### ***In the past, Neptune supplied us with the krill oil needed to produce CaPre for our clinical programs, including the krill oil projected to be needed for our Phase 3 program, and we are now evaluating alternative supplies.***

We have sourced all of our krill oil from Neptune in the past to produce CaPre. We have sufficient krill oil inventories that we anticipate will be required to complete our Phase 3 program. However, in light of Neptune's recent announcement of its plan to discontinue krill oil production and the sale of its krill oil inventory to Aker, we are evaluating alternative suppliers of krill oil. While we believe that alternative supplies of krill oil that can meet our specifications will be readily available, any alternative supply of krill oil may not be of comparable quality to that provided by Neptune, which could negatively affect the efficacy, or the markets' perception of the efficacy, of CaPre. Our reliance on third-party suppliers for krill oil exposes us to risks such as potential fluctuations in supply and reduced control over our production costs and delivery schedules for CaPre.

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### ***Interruptions of our supply of CaPre could impair any future revenue streams, if CaPre reaches commercialization.***

We will require much larger amounts of CaPre than we have in the past if CaPre reaches commercialization. Supply interruptions for CaPre could occur and our inventory of CaPre may not always be sufficient due to a number of factors, including:

- failure to have a third-party supply chain partner's process validated in a timely manner;
- shortages of required raw materials, such as krill oil, and the packaging components required by our manufacturers;
- changes in our sources for manufacturing or packaging;
- failure to timely locate and obtain replacement manufacturers, as needed; and
- conditions affecting the cost and availability of raw materials.

We are also in the process of scaling-up our production of CaPre, and CaPre may not be of comparable quality when produced in larger 200 kilogram or more batches. If we experience interruptions in the production of CaPre, our ability to complete our Phase 3 program could be interrupted. If CaPre receives regulatory approval, interruptions in the production of CaPre or insufficient inventory levels of CaPre could have a material adverse effect on our results of operations.

### ***If product liability lawsuits are brought against us, we may incur substantial liabilities and be required to cease the sale, marketing and distribution of CaPre.***

We face a potential risk of product liability associated with any future commercialization of CaPre or any other future product candidate we develop. For example, we may be sued if CaPre allegedly causes injury. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under U.S. state or Canadian provincial or other foreign consumer protection legislation. If we cannot successfully defend against product liability claims, we may incur substantial liabilities or be required to cease the sale, marketing and distribution of CaPre. Even successful defense against product liability claims would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for CaPre or any future products that we may develop;
- injury to our reputation;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to consumers, trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- an inability to commercialize CaPre; and
- a decline in the price of our common shares.

If we are unable to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims, the commercialization of CaPre or any other product candidates we develop could be hindered or prevented. We currently carry product liability insurance, shared with Neptune, in the amount of \$10.0 million in the aggregate. Any claim that may be brought against us could result in a court

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judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. In the event of a successful product liability claim against us, we may have to pay from our own resources any amounts awarded by a court or negotiated in a settlement that exceed coverage limitations or that is not covered by our insurance, and we may not have, or be able to obtain, sufficient funds to pay such amounts.

### ***We may be subject to foreign exchange rate fluctuations.***

Our reporting currency is the Canadian dollar. However, many of our expenses, such as CaPre's chief manufacturing organization's production activities and certain CRO arrangements that we anticipate entering into for our Phase 3 program, currently are and/or are expected to be, denominated in foreign currencies, including European euros and U.S. dollars. Though we plan to implement measures designed to reduce our foreign exchange rate exposure, the U.S. dollar/Canadian dollar and European euro/Canadian dollar exchange rates have fluctuated significantly in the recent past and may continue to do so, which could have a material adverse effect on our business, financial position and results of operations.

## **Risks Related to Intellectual Property**

### ***It is difficult and costly to protect our intellectual property rights.***

The success of our business will largely depend on our ability to:

- obtain and maintain patents, trade secret protection and operate without infringing the intellectual proprietary rights of third parties;
- successfully defend our patents, including patents licensed to us by Neptune, against third-party challenges; and
- successfully enforce our patents against third party competitors.

Our patents and/or proprietary technologies could be circumvented through the adoption of competitive, though non-infringing, processes or products. The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal, scientific and factual questions for which important legal principles remain unresolved. Changes in either the patent laws or in interpretations of patent laws may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowable or enforceable in our patents, including the patents licensed to us by Neptune.

We face risks that:

- we may not be the first inventor of inventions covered by our issued patents or pending applications or be the first to file patent applications for those inventions;
- our pending or future patent applications may not be issued with the breadth of claim coverage sought by us, or be issued at all;
- our competitors could independently develop or patent technologies that are substantially equivalent or superior to our technologies;
- our trade secrets could be learned independently by our competitors;
- the steps we take to protect our intellectual property may not be adequate;
- effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not sought by us in some foreign countries; and

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- our rights under our Canadian, U.S. or foreign patents or other patents that Neptune or other third parties license to us could be challenged.

Further, patents have a limited lifespan. In the United States, a patent generally expires 20 years after it is filed (or 20 years after the filing date of the first non-provisional U.S. patent application to which it claims priority). While extensions may be available, the life of a patent, and the protection it affords, is limited. Without patent protection for CaPre or any other of our future product candidates, we may be open to competition from generic versions of CaPre or our other future product candidates. Further, the extensive period of time between patent filing and regulatory approval for a product candidate limits the time during which we can market that product candidate under patent protection. Patents owned by third parties could have priority over patent applications filed or in-licensed by us, or we or our licensors could become involved in interference, opposition or invalidity proceedings before U.S., Canadian or foreign patent offices. The cost of defending and enforcing our patent rights against infringement charges by other patent holders may be significant and could limit our operations.

### ***In addition to our own patents, CaPre is covered by patents that are sublicensed to us by Neptune.***

In addition to our proprietary patent applications, we have an exclusive worldwide license under a license agreement with Neptune to use certain patents and know-how to develop and commercialize CaPre within a specified field of use, namely the development and commercialization of CaPre and our novel and active pharmaceutical ingredients, or APIs, for the prescription drug and medical food markets. These patents were recently acquired by Aker BioMarine Antarctic AS, or Aker, from Neptune. Aker then licensed this intellectual property back to Neptune. Our license with Neptune remains in place and unchanged. This limitation on our field of use may prevent us from developing and commercializing CaPre in other fields.

Disputes may arise between us and Neptune or Aker regarding the intellectual property that is subject to the license agreement, including with respect to:

- the scope of rights granted under the license agreement and other interpretation-related issues; and
- our right to sublicense patent and other rights to third parties under collaborative development relationships.

If our sublicense with Neptune is terminated due to a breach by us of its terms (or should Neptune's license agreement with Aker otherwise terminate and we are unable to enter into a direct license agreement with Aker), we would not be able to manufacture and market CaPre, which would have a material adverse effect on our business and financial condition.

### ***CaPre may infringe the intellectual property rights of others, which could increase our costs and delay or prevent our development and commercialization efforts.***

Our success depends in part on avoiding infringement of the proprietary technologies of others. The pharmaceutical industry has been characterized by frequent litigation regarding patent and other intellectual property rights. Identification of third party patent rights that may be relevant to our proprietary or licensed technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. Additionally, because patent applications are maintained in secrecy until the application is published, we may be unaware of third-party patents that may be infringed by our development and commercialization of CaPre or any other future product candidate. There may be certain issued patents and patent applications claiming subject matter that we may be required to license in order to research, develop or commercialize CaPre, and any such patents and patent applications may not be available to license on commercially reasonable terms, or at all. If claims of patent infringement are asserted by third parties against us, they could be time-consuming and may:

- result in costly litigation;

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- divert the time and attention of our technical personnel and management;
- delay our clinical trials for CaPre;
- prevent us from commercializing CaPre until the asserted patent expires or is held finally invalid or not infringed in court;
- require us to cease or to modify our use of the technology and/or develop non-infringing technology; or
- require us to enter into royalty or licensing agreements.

Others may hold proprietary rights that could prevent CaPre from being marketed. Any patent-related legal action against us claiming damages and seeking to enjoin commercial activities relating to CaPre or our processes could subject us to potential liability for damages and require us to obtain a license to continue to manufacture or market CaPre or any other future prescription drug candidates. We might not prevail in any such actions or if any license is required under any of these patents it may not be available on commercially acceptable terms, if at all.

Even if a license can be obtained on acceptable terms, the rights may be non-exclusive, which could give our competitors access to the same technology or intellectual property rights licensed to us. We could be forced to redesign CaPre or any other future product candidates or processes to avoid infringement.

In addition, we may find it necessary to pursue claims or initiate lawsuits to protect or enforce our patent or other intellectual property rights. The cost to us in defending or initiating any litigation or other proceeding relating to patent or other proprietary rights, even if resolved in our favor, could be substantial, and litigation would divert our management's attention. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could delay our research and development efforts and limit our ability to continue our operations.

A number of companies, including several major pharmaceutical companies, have conducted research on pharmaceutical uses of OM3 fatty acids, which has resulted in the filing of many patent applications related to this research. We are aware of third-party U.S., Canadian or other foreign patents that contain broad claims related to methods of using these general types of compounds, which may be construed to include potential uses of CaPre. If we were to challenge the validity of these or any other issued U.S., Canadian or other foreign patents in court, we would need to overcome a statutory presumption of validity that attaches to every U.S. and Canadian patent. This means that, in order to prevail, we would have to present clear and convincing evidence as to the invalidity of the other party's patent's claims. If we were to challenge the validity of any issued U.S. patent in an administrative trial before the Patent Trial and Appeal Board in the United States Patent and Trademark Office, or USPTO, we would have to prove that the claims are unpatentable by a preponderance of the evidence. If there are disputes over our intellectual property rights, a jury and/or court may not find in our favor on questions of infringement, validity or enforceability.

***If we do not protect our trademark for CaPre, we may not be able to build name recognition in our markets of interest.***

We have trademarked CaPre. Our trademark may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to this trademark or may be forced to stop using this name, which we need for name recognition by potential strategic partners and customers. If we are unable to establish name recognition based on our trademark, we may not be able to compete effectively and our business may be adversely affected.

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### ***We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.***

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. If we or our licensors were to initiate legal proceedings against a third party to enforce a patent covering CaPre or our technology, the defendant could counterclaim that our or our licensor's patent is invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements; for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we or our licensors and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on CaPre or certain aspects of our platform technology. Such a loss of patent protection could have a material adverse impact on our business. Patents and other intellectual property rights also will not protect our technology if competitors design around our protected technology without legally infringing our patents or other intellectual property rights.

In addition, in an infringement proceeding, a court may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable, or interpreted narrowly and could put our patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business.

Interference proceedings provoked by third parties or brought by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could result in a loss of our current patent rights and could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, or at all. Litigation or interference proceedings may result in a decision adverse to our interests and, even if we are successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common shares.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

### ***Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect CaPre and any of our other future product candidates.***

Numerous recent changes to the patent laws and proposed changes to the rules of the USPTO may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. For



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example, the Leahy-Smith America Invents Act, or AIA, enacted in 2011, involves significant changes in patent legislation. An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application. Further, the Supreme Court of the United States has ruled on several patent cases in recent years, some of which cases either narrow the scope of patent protection available in certain circumstances or weaken the rights of patent owners in certain situations. These changes have led to increasing uncertainty with regard to the scope and value of our issued patents and to our ability to obtain patents in the future.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal court necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

Once granted, patents may remain open to opposition, interference, re-examination, post-grant review, inter partes review, nullification derivation and opposition proceedings in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against the initial grant. In the course of any such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims attacked, or may lose the allowed or granted claims altogether. Depending on decisions by the U.S. Congress, the U.S. federal courts, the USPTO or similar authorities in foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that may weaken our and our licensors’ ability to obtain new patents or to enforce existing patents we and our licensors or partners may obtain in the future.

### ***We may not be able to protect our intellectual property rights throughout the world.***

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of some countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

### **Risks Relating to Our Common Shares, Warrants and this Offering**

#### ***There is a significant risk that we may be classified as a PFIC for U.S. federal income tax purposes.***

Potential investors in our common shares and warrants who are U.S. holders should be aware that, based on our most recent financial statements and projections and given uncertainty regarding the composition of our future



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income and assets, there is a significant risk that we may be classified as a “passive foreign investment company” or “PFIC” for our taxable year ending March 31, 2018 and possibly subsequent years. If we are a PFIC for any year during a U.S. holder’s holding period of the common shares or warrants acquired pursuant to this prospectus, then such U.S. taxpayer generally will be required to treat any gain realized upon a disposition of such common shares or warrants or any so-called “excess distribution” received on such common shares or warrants, as ordinary income (with a portion subject to tax at the highest rate in effect), and to pay an interest charge on a portion of such gain or excess distribution. In certain circumstances, the sum of the tax and the interest charge may exceed the total amount of proceeds realized on the disposition, or the amount of excess distribution received, by the U.S. taxpayer. Subject to certain limitations, a timely and effective QEF Election under Section 1295 of the Code or a Mark-to-Market election under Section 1296 of the Code may be made with respect to the common shares. Neither the QEF Election nor the Mark-to-Market Election is available with respect to the warrants. A U.S. holder who makes a timely and effective QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. holder who makes the Mark-to-Market Election generally must include as ordinary income each year the excess of the fair market value of their common shares over the holder’s basis therein. This paragraph is qualified in its entirety by the discussion below under the heading “*Certain U.S. Federal Income Tax Considerations—U.S. Federal Income Tax Considerations of the Acquisition, Ownership, and Disposition of Common Shares—Passive Foreign Investment Company Rules*”. Each potential investor who is a U.S. holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and non-U.S. tax consequences of the acquisition, ownership, and disposition of common shares and warrants acquired pursuant to this prospectus, the U.S. federal tax consequences of the PFIC rules, and the availability of any election that may be available to the holder to mitigate adverse U.S. federal income tax consequences of holding shares in a PFIC.

### ***The trading price of our common shares may be volatile.***

Market prices for securities in general, and those of pharmaceutical companies in particular, tend to fluctuate. The trading price for our common shares has experienced volatility in the past. Factors that could affect the trading price of our common shares and cause volatility include, among others:

- results or delays of pre-clinical and clinical studies by us or others;
- the commencement, enrollment or results of future clinical trials we may conduct, or changes in the development status of CaPre or any of our other future product candidates;
- any delay in our regulatory filings for CaPre or any of our other future product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority’s review of our filings;
- filing or granting or invalidity of patents;
- exclusive rights obtained by us or others;
- disputes or other developments relating to proprietary rights, including patents;
- litigation matters and our ability to obtain patent protection for our technologies;
- changes in regulations;
- additions or departures of key scientific or management personnel;
- overall performance of the equity markets;
- any failure to secure adequate capital to fund our operations on terms that are favorable to us, or at all;
- general political and economic conditions;
- publications;
- failure by us to meet the estimates and projections of the investment community or that we may otherwise provide to the public;

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- research reports or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- public concerns over the risks of pharmaceutical products and dietary supplements;
- unanticipated serious safety concerns related to the use of CaPre; and
- future sales of securities by us in financings or by our shareholders.

As a result, the market price of our common shares may fluctuate significantly in the future. In addition, the stock market in general, and pharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common shares, regardless of our actual operating performance. In the past, securities class action litigation has often been instituted against companies following periods of volatility of the market price of a company's securities. This type of litigation, if brought against us, could result in substantial costs and liabilities for us and divert our management's attention and resources, which would harm our business, operating results or financial condition.

### ***Future securities issuances by us could result in significant dilution for existing shareholders.***

Our articles of incorporation permit us to issue an unlimited number of common shares and preferred shares, issuable in series, and our shareholders will have no pre-emptive rights in connection with further issuances of securities by us. Our directors have the discretion to determine the provisions attaching to any series of preferred shares and the price of issue of further issuances of our common shares. Also, additional common shares may be issued by us upon the exercise of outstanding stock options and warrants or the conversion of debentures. The issuance of these additional equity securities or the issuance of new stock options or warrants may have a dilutive effect on existing holders of our common shares and, as a result, the market price for our common shares could decline. The market price of our common shares could also decline as a result of future issuances by us in connection with strategic partnerships, or sales by our existing shareholders, or the perception that these sales could occur. Sales by our shareholders, including Neptune, might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate, which could reduce our ability to raise capital and have an adverse effect on our business.

### ***Raising additional capital may adversely affect the rights of our existing shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.***

We may seek additional capital through a combination of public and private equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our common shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and could involve certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise additional funds through strategic partnerships and licensing arrangements with third parties, we may have to relinquish valuable rights relating to CaPre or our other future product candidates, or grant licenses on terms unfavorable to us.

### ***An active market for our common shares might not be sustained.***

If an active market for our common shares is not sustained, holders of our common shares may be unable to sell their investments on satisfactory terms. Declines in the value of our common shares may adversely affect the

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liquidity of the market for our common shares. Factors unrelated to our performance may also have an effect on the price and liquidity of our common shares including:

- extent of analyst coverage of us;
- lower trading volume and general market interest in our common shares;
- the size of our public float; and
- any event resulting in a delisting of our common shares from the NASDAQ Stock Market or the TSX Venture Exchange, or TSXV.

***A large number of our common shares may be issued and subsequently sold upon the exercise of our outstanding warrants and under our convertible debentures, which could depress the trading price for our common shares.***

As of September 30, 2017, we had up to 5,254,535 common shares issuable under our outstanding warrants and convertible debentures. To the extent that holders of our warrants and convertible debentures sell underlying common shares issued under those warrants and convertible debentures, the market price of our common shares may decrease due to the additional selling pressure in the market and could encourage short sales by third parties. In a short sale, a prospective seller borrows common shares from a shareholder or broker and sells the borrowed common shares. The prospective seller anticipates that the common share price will decline, at which time the seller can purchase common shares at a lower price for delivery back to the lender. The risk of dilution from issuances of our common shares underlying our warrants and convertible debentures could also cause shareholders to sell their common shares, which could result in a decline in their market price.

***We do not intend to pay dividends on our common shares for the foreseeable future.***

We have never paid dividends on our common shares and we do not anticipate paying any dividends on our common shares for the foreseeable future because, among other reasons, we currently intend to retain any future earnings to finance our business. Any future payment of dividends by us will depend on factors such as cash on hand and whether we achieve profitability, our financial requirements to fund our growth, our general financial condition and other factors our board of directors may consider appropriate in the circumstances. Until we pay dividends, which we may never do, our shareholders will not be able to receive a return on their common shares unless they sell them.

***There is no public market for the warrants being offered by us in this offering and an active trading market for the warrants is not expected to develop.***

There is no established public trading market for the warrants being offered in this offering, and we do not expect a market to develop. In addition, we do not intend to apply for any listing of the warrants on the NASDAQ Stock Market, TSX Venture Exchange or any other securities exchange or nationally recognized trading system. Without an active market, the liquidity of the warrants will be limited.

***The warrants are speculative in nature and may not have any value.***

The warrants do not confer any rights of common share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire common shares at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the warrants may exercise their right to acquire common shares and pay an exercise price of US\$        per share, subject to certain adjustments, prior to the fifth anniversary of the date such warrants were issued, after which date any unexercised warrants will expire and have no further value. Moreover, following this offering, the market value of the warrants, if any, is uncertain and there can be no assurance that the market value of the warrants will equal or exceed their imputed offering price. The warrants will not be listed or quoted for trading on any market or

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exchange. There can be no assurance that the market price of the common shares will ever equal or exceed the exercise price of the warrants, and consequently, whether it will ever be profitable for holders of the warrants to exercise the warrants.

***If we fail to meet applicable listing requirements, the NASDAQ Stock Market or the TSXV may delist our common shares from trading, in which case the liquidity and market price of our common shares could decline.***

Our common stock is currently listed on the NASDAQ Stock Market and the TSXV, but we cannot assure you that our securities will continue to be listed on the NASDAQ Stock Market and the TSXV in the future. In the past, we have received notices from the NASDAQ Stock Market that we have not been in compliance with its continued listing standards, and we have taken responsive actions and regained compliance. If we fail to comply with listing standards and the NASDAQ Stock Market or TSXV delists our common shares, we and our shareholders could face significant material adverse consequences, including:

- a limited availability of market quotations for our common shares;
- reduced liquidity for our common shares;
- a determination that our common shares are “penny stock”, which would require brokers trading in our common shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common shares;
- a limited amount of news about us and analyst coverage of us; and
- a decreased ability for us to issue additional equity securities or obtain additional equity or debt financing in the future.

***We may pursue opportunities or transactions that adversely affect our business and financial condition.***

In the ordinary course of our business, our management regularly explores potential strategic opportunities and transactions, which may involve:

- significant debt or equity investments in us by third parties;
- the acquisition or disposition by us of material assets;
- the licensing, acquisition or disposition by us of material intellectual property;
- the development of new product lines or new applications for our existing products;
- entering into distribution arrangements;
- issuance of our common shares; and
- other similar matters.

Public announcement by us of strategic opportunities or transactions might have a significant effect on the trading price of our common shares. Our policy is to not publicly disclose our pursuit of a potential strategic opportunity or transaction unless we are required to do so by applicable law. Investors who buy or sell our common shares could be doing so at a time when we are pursuing a particular strategic opportunity or transaction that, when announced, could have a significant effect on the trading price for our common shares.

In addition, any strategic transactions we enter into could carry significant risks, including:

- exposure to unknown liabilities;
- higher than anticipated transaction costs and expenses;
- the difficulty and expense of integrating operations and personnel of any acquired companies;

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- disruption of our ongoing business;
- diversion of our management’s time and attention; and
- possible dilution to our existing shareholders.

***As a foreign private issuer, we are subject to different U.S. securities laws and regulations than a domestic U.S. issuer, which may limit the information publicly available to our U.S. shareholders.***

We are a foreign private issuer under applicable U.S. federal securities laws, and therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the U.S. Securities and Exchange Act of 1934, or the Exchange Act. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file with or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell common shares as the reporting periods under the corresponding Canadian insider reporting requirements are longer. In addition, as a foreign private issuer, we are exempt from the proxy rules under the Exchange Act.

***As an “emerging growth company”, we are exempt from the requirement to comply with the auditor attestation requirements of the Sarbanes-Oxley Act.***

We are an “emerging growth company”, as defined in the U.S. Jumpstart Our Business Start-ups Act, and we use the exemption provided to emerging growth companies from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. Therefore, our internal controls over financial reporting will not receive the level of review provided by the process relating to the auditor attestation included in annual reports of issuers that are not using an exemption. In addition, we cannot predict if investors will find our common shares less attractive because we rely on this exemption. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and trading price for our common shares may be negatively affected.

***U.S. investors may be unable to enforce certain judgments against us because of our Canadian incorporation and presence.***

We are a company existing under the *Business Corporations Act* (Québec). Some of our directors and officers are residents of Canada, and substantially all of our assets are located outside the United States. As a result, it may be difficult to effect service within the United States upon us or upon some of our directors and officers. Execution by U.S. courts of any judgment obtained against us or any of our directors or officers in U.S. courts may be limited to assets located in the United States. It may also be difficult for holders of securities who reside in the United States to realize in the United States upon judgments of U.S. courts predicated upon civil liability of us and our directors and executive officers under the U.S. federal securities laws. There may be doubt as to the enforceability in Canada against non-U.S. entities or their controlling persons, directors and officers who are not residents of the United States, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon U.S. federal or state securities laws.

***We have broad discretion in how we use the net proceeds of the offering, and we may not use these proceeds in a manner desired by our shareholders.***

We will have broad discretion with respect to the use of the net proceeds from the offering and investors will be relying on the judgment of our management regarding the application of these proceeds. We could spend most of the net proceeds from the offering in ways that our shareholders may not desire or that do not yield a favorable return. You will not have the opportunity, as part of your investment in our securities, to influence the manner in which the net proceeds of the offering are used. We currently intend to use the proceeds of the offering as described in “Use of Proceeds”. However, our needs may change as our business and our industry evolve. As a result, the proceeds we receive in the offering may be used in a manner significantly different from our current expectations.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains information that may be forward-looking statements within the meaning of applicable securities laws. Forward-looking statements can be identified by the use of terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or other similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking statements in this prospectus include, among other things, or statements about:

- our ability to conduct all required clinical and nonclinical trials for CaPre, including the timing and results of those clinical trials;
- our strategy, future operations, prospects and the plans of our management;
- the design, regulatory plan, timeline, costs and results of our clinical and nonclinical trials for CaPre;
- the timing and outcome of our meetings and discussions with the U.S. Food and Drug Administration, or FDA;
- our planned regulatory filings for CaPre, and their timing;
- our expectation that our Bridging Study (as defined below) results will support our plan to get authorization from the FDA to use the its 505(b)(2) pathway with new chemical entity, or NCE, status towards a New Drug Application, or NDA, approval in the United States;
- the timing and results from two competitor outcomes studies in patients with high TGs (blood levels between 200-499 mg/dL);
- the potential benefits and risks of CaPre as compared to other products in the pharmaceutical, medical food and natural health products markets;
- our anticipated marketing advantages and product differentiation of CaPre and its potential to become a best-in-class omega-3, or OM3, compound for the treatment of severe HTG (very high blood levels of TGs over 500 mg/dL);
- our estimates of the size of the potential market for CaPre, unmet medical needs in that market, the potential for market expansion, and the rate and degree of market acceptance of CaPre if it reaches commercialization, and our ability to serve that market;
- the potential to expand CaPre’s indication for the treatment of high TGs;
- the degree to which physicians would switch their patients to a product with CaPre’s target product profile;
- our strategy and ability to develop, commercialize and distribute CaPre in the United States and elsewhere;
- the manufacturing scale-up of CaPre and the related timing;
- our intention and ability to strengthen our patent portfolio and other means of protecting our intellectual property rights;
- the availability, consistency and sources of our raw materials, including krill oil;
- our expectation to be able to rely on third parties to manufacture CaPre whose manufacturing processes and facilities are in compliance with current good manufacturing practices, or cGMP;
- the potential for OM3s in other cardiovascular medicine, or CVM, indications;
- our intention to pursue development and/or distribution partnerships to support the development and commercialization of CaPre, and to pursue strategic opportunities to provide capital and market access;
- our ability to reach a definitive agreement based upon our non-binding term sheet with a leading China-based pharmaceutical company for the commercialization of CaPre in certain Asian countries;

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- our need for additional financing and our estimates regarding our future financing and capital requirements;
- our expectation regarding our financial performance, including our revenues, profitability, research and development, costs and expenses, gross margins, liquidity, capital resources, capital expenditures and our access to additional capital; and
- our projected capital requirements to fund our anticipated expenses, including our research and development and general and administrative expenses.

All forward-looking statements reflect our belief and assumptions based on information available at the time the assumption was made. The forward-looking statements in this prospectus are subject to a number of known and unknown risks, uncertainties and other factors, including those described in this prospectus under “Risk Factors”, many of which are beyond our control, that could cause our actual results and developments to differ materially from those that are disclosed in or implied by the forward-looking information, including, among others:

- risks related to timing and possible difficulties, delays or failures in our Phase 3 program for CaPre;
- pre-clinical and clinical trials may be more costly or take longer to complete than anticipated, and may never be initiated or completed, or may not generate results that warrant future development of CaPre;
- we may fail to achieve our publicly announced milestones on time;
- outcome study data from two of our competitors in high TGs patients may be negative, which could also negatively affect the market perception of CaPre;
- there may be difficulties, delays, or failures in obtaining health care reimbursements for CaPre;
- the market opportunity for, and demand and market acceptance of, CaPre may not be as strong as we anticipate;
- we have significant additional future capital needs and may not be able to raise additional financing required to fund further research and development, clinical studies, obtain regulatory approvals, and meet ongoing capital requirements to continue our current operations on commercially acceptable terms or at all;
- CaPre may not prove to be as safe and effective or as potent as we currently believe;
- our Phase 3 program may not produce positive results;
- our anticipated studies and submissions to the FDA may not occur as currently anticipated, or at all;
- the FDA could reject our 505(b)(2) regulatory pathway;
- we may encounter difficulties, delays or failures in obtaining regulatory approvals for the initiation of clinical trials or to market CaPre;
- we may need to conduct additional future clinical trials for CaPre, the occurrence and success of which cannot be assured;
- CaPre may have unknown side effects;
- the FDA may refuse to approve CaPre, or place restrictions on our ability to commercialize CaPre;
- CaPre could be subject to extensive post-market obligations and continued regulatory review, which may result in significant additional expense and affect sales, marketing and profitability;
- we may encounter difficulties in completing the development and commercialization of CaPre;
- third parties we will rely upon to conduct our Phase 3 program for CaPre may not effectively fulfill their obligations to us, including complying with FDA requirements;
- recently enacted and future laws may increase the difficulty and cost for us to obtain marketing approval of and commercialize CaPre and affect the prices we can charge;



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- new laws, regulatory requirements, and the continuing efforts of governmental and third-party payors to contain or reduce the costs of healthcare through various means could adversely affect our business;
- third parties that we will rely upon to manufacture, supply and distribute CaPre may not effectively fulfill their obligations to us, including complying with FDA requirements;
- there may not be an adequate supply of raw materials, including krill oil, in sufficient quantities and quality and to produce CaPre under cGMP standards;
- Neptune has significant influence with respect to matters submitted to our shareholders for approval;
- Neptune's interest may not align with those of us or our other shareholders;
- we may not be able to meet applicable regulatory standards for the manufacture of CaPre or scale-up our manufacturing successfully;
- we may not be able to produce future clinical batches, if needed, and commercial batches of CaPre in a timely manner or at all;
- we currently have no sales, marketing and distribution personnel;
- our patent applications may not result in issued patents, our issued patents may be circumvented or challenged and ultimately struck down, and we may not be able to successfully protect our trade secrets or other confidential proprietary information;
- we may face claims of infringement of third party intellectual property and other proprietary rights;
- we sublicense intellectual property that has been recently sold by Neptune to Aker (and then licensed back to Neptune). Although our license agreement with Neptune remains in place, our rights under the sublicense agreement are subject to the continued term of the license between Neptune and Aker;
- we may face product liability claims and product recalls;
- we face intense competition from other companies in the pharmaceutical, medical food and natural health product industries;
- we have a history of negative operating cash flow and may never become profitable or be able to sustain profitability;
- we may not be able to attain our targeted cost of goods sold, and levels of insurance reimbursement for CaPre may not be commercially viable in all global markets;
- we may acquire businesses or products or form strategic partnerships in the future that may not be successful;
- we may be unable to secure development and/or distribution partnerships to support the development and commercialization of CaPre, provide development capital, or market access;
- we recently entered into a non-binding term sheet with a leading China-based pharmaceutical company that would grant it an exclusive right to commercialize CaPre in certain Asian countries, and it is possible that no definitive agreement with the China-based company will be reached, or if a definitive agreement is reached its terms may differ from those in the term sheet;
- we rely on key management and skilled scientific personnel; and
- general changes in economic and capital market conditions could adversely affect us.

All of the forward-looking statements in this prospectus are qualified by this cautionary statement. There can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the consequences or effects on our business, financial condition or results of operations that we anticipate. As a result, you should not place undue reliance on the forward-looking statements. Except as required by applicable law, we do not undertake to update or amend any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements are made as of the date of this prospectus.



### EXCHANGE RATE INFORMATION

The following table presents the average exchange rate for one Canadian dollar expressed as one U.S. dollar for each of our last five fiscal years. The average rate is calculated using the average of the exchange rates on the last day of each month during the period.

<b>Fiscal year ended</b>	<b>Average (US\$)</b>
February 28, 2013	0.9903
February 28, 2014	0.9555
February 28, 2015	0.8003
February 29, 2016	0.7645
March 31, 2017	0.7618

The following table presents the high and low exchange rate for one Canadian dollar expressed as one U.S. dollar for each month during the previous six months.

<b>Month</b>	<b>Low</b>	<b>High</b>
	<b>(US\$)</b>	
June 2017	0.7405	0.7706
July 2017	0.7703	0.8034
August 2017	0.7840	0.8012
September 2017	0.8013	0.8245
October 2017	0.7756	0.8018
November 2017	0.7759	0.7885

The exchange rates above are based upon the noon buying rate, as quoted by the Bank of Canada. As of May 1, 2017, the Bank of Canada no longer publishes updated data for exchange rates published under previous methodologies, including daily noon and closing rates as well as high and low exchange rates. For the month of May 2017 and each month thereafter, the exchange rate presented above is based upon the daily average closing rate. As of December 13, 2017, the exchange rate for one Canadian dollar expressed as one U.S. dollar, as quoted by the Bank of Canada was \$1.00 = US\$0.7781.

## USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately US\$        million (or approximately US\$        million if the underwriters' option to purchase additional common shares and warrants is exercised in full) from the sale of common shares and warrants offered by us in this offering and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

If all of the warrants sold in this offering came to be exercised in cash at an exercise price per share, (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective we would receive additional net proceeds of approximately US\$        . We cannot predict when or if these warrants will be exercised. It is possible that the warrants may expire and may never be exercised.

We currently intend to use the net proceeds of this offering, together with our cash on hand, for the further development of CaPre, including clinical site activation, progression of patient enrollment and production of clinical materials (both CaPre and placebo) for our Phase 3 program; expansion of business development activities; working capital; and other general corporate purposes.

Our expected use of net proceeds from this offering represents our current intentions based upon our present plans and business condition, which could change in the future as our plans and business conditions evolve. The amounts and timing of our actual use of the net proceeds will depend on multiple factors, including the progress, cost and results of our preclinical and clinical development programs, competitive and technological developments, strategic partnering activities, and the overall regulatory environment. As a result, our management will retain broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds from this offering.

Pending our use of the net proceeds from this offering, we may plan to invest the net proceeds in short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or government securities, or hold them as cash.

**DIVIDEND POLICY**

We do not anticipate paying any cash dividend on our common shares in the foreseeable future. We presently intend to retain future earnings to finance the development and growth of our business. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors the board of directors deems relevant. In addition, the terms of any future debt or credit facility may preclude us from paying dividends. Any remittances of dividends to United States residents and to other non-residents are, however, subject to withholding tax. See “Certain U.S. Federal Income Tax Considerations” and “Certain Canadian Federal Income Tax Considerations” for additional information.

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### CAPITALIZATION

The table below sets forth our total indebtedness and shows our capitalization as at September 30, 2017:

- on an actual basis; and
- on an as adjusted basis, to give effect to the issuance and sale of 6,755,000 common shares at an assumed offering price of US\$1.48 per share (which was the closing price of our common shares on the NASDAQ Stock Market on December 13, 2017) and warrants to purchase an aggregate of 6,079,500 common shares, after deducting underwriting discounts and estimated offering expenses. We assumed (i) no exercise of warrants sold in this offering, and (ii) that the exchange rate for Canadian dollars expressed in United States dollars of the offering was \$1.00 = US\$0.7781 (the daily average exchange rate for one Canadian dollar expressed in United States dollars as reported by the Bank of Canada on December 13, 2017).

You should read this table together with our financial statements and accompanying notes included in this prospectus, and the other information appearing in “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As at September 30, 2017	
	(actual)	(as adjusted)
	(in thousands)	
Cash and cash equivalents	\$ 5,329	\$ 16,394
Non-current liabilities		
Derivative warrant liabilities <sup>(1)(2)</sup>	51	5,922
Unsecured convertible debentures	1,509	1,509
Total non-current liabilities	1,560	7,431
Equity		
Share capital <sup>(1)(2)</sup>	66,633	72,831
Other equity	309	309
Contributed surplus	6,024	6,024
Deficit <sup>(2)</sup>	(58,160)	(59,164)
Total equity	\$ 14,806	20,000
Total capitalization	\$ 16,366	27,431

- (1) The warrants are a derivative liability (Derivative Warrant Liabilities) for accounting purposes due to the currency of the exercise price (US\$) being different from our Canadian dollar functional currency. The proceeds of this offering are required to be split between the Derivative Warrant Liabilities and the equity-classified common shares at the time of issuance. For purposes of the ‘as adjusted’ amounts in the table, the fair value of the Derivative Warrant Liabilities has excluded the effect on the fair value of the redemption feature of the warrants. The allocation of the proceeds is a preliminary estimate and the actual allocation may be different by a material amount.
- (2) After deducting the underwriters’ discounts of US\$700,000, our estimated offering expenses of US\$687,000 and the estimated fair value of the underwriter warrants of US\$322,000 (determined using a Black-Scholes valuation model with an assumed common share price of US\$1.48). For purposes of the ‘as adjusted’ amounts in the table, the underwriter discount, our estimated offering expenses and the underwriter warrants have been allocated on a relative value basis to the common shares for an amount of US\$928,000 and to the Derivative Warrant Liabilities for an amount of US\$781,000. The portion allocated to the common shares is netted against its book value and the portion allocated to the Derivative Warrant Liabilities will be recorded in earnings, reflected in deficit in the ‘as adjusted’ amounts in the table.

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The number of common shares outstanding as of September 30, 2017 on an adjusted basis is 21,490,937 common shares. The number of our common shares to be outstanding after this offering is based on 14,735,937 of our common shares outstanding as of September 30, 2017. The number of common shares to be outstanding after this offering excludes the following:

- 2,402,188 common shares issuable upon the exercise of options issued to our directors, officers and employees, at a weighted-average exercise price of \$1.82 per common share;
- 1,052,630 common shares issuable upon conversion of debentures at an exercise price of \$1.90 per common share;
- 1,840,000 common shares issuable upon the exercise of warrants at a weighted-average exercise price of US\$15.00 per common share;
- 161,654 common shares issuable upon the exercise of warrants at a weighted-average exercise price of \$13.30 per common share;
- 1,965,259 common shares issuable upon the exercise of warrants at an exercise price of \$2.15 per common share;
- 234,992 common shares issuable upon the exercise of broker warrants at an exercise price of \$2.15 per common share;
- 337,750 common shares issuable upon the exercise of underwriter warrants at an exercise price of US\$        per common share issued in connection with this offering; and
- 6,079,500 common shares issuable upon the exercise of warrants to be issued to investors in connection with this offering at an exercise price per common share (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective.

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**DILUTION**

If you invest in our securities in this offering, your ownership interest will be immediately diluted to the extent of the difference between the public offering price per share and the pro forma net tangible book value per share after this offering.

Our historical net tangible book value as of September 30, 2017 was approximately \$3.6 million, or \$0.25 per common share. Our historical net tangible book value is the amount of our total tangible assets less our liabilities. Net historical tangible book value per share is our historical net tangible book value divided by the number of common shares outstanding as of September 30, 2017.

Our pro forma net tangible book value as of September 30, 2017 was \$14.6 million, or \$0.68 per common share. Pro forma net tangible book value is our pro forma net tangible book value, plus the effect of the sale of common shares and warrants in this offering at an assumed public offering price of US\$1.48 per share (which was the closing price of our common shares on the NASDAQ Stock Market on December 13, 2017) and accompanying warrant, and after deducting underwriting discounts and estimated offering expenses payable by us. This amount represents an immediate increase in pro forma net tangible book value of approximately \$0.43 per share to our existing shareholders, and an immediate dilution of approximately \$1.22 per share to new investors participating in this offering.

The following table illustrates this dilution on a per share basis:

Assumed public offering price per share	\$1.90
Historical net tangible book value per share as of September 30, 2017	\$0.25
Increase (decrease) in net tangible book value per share attributable to new investors participating in this offering	0.43
Pro forma net tangible book value per share as of September 30, 2017, after giving effect to this offering	<u>0.68</u>
Dilution per share to new investors purchasing our common shares in this offering	\$1.22

If the underwriters exercise their option to purchase additional common shares and warrants in full, the pro forma net tangible book value will increase to \$0.72 per share, representing an immediate dilution of \$1.18 per share to new investors purchasing our securities in this offering. For purposes of the foregoing discussion, the assumed public offering price of US\$1.48 per share and accompanying warrant has been converted into Canadian dollars based on the daily average exchange rate for one U.S. dollar expressed as one Canadian dollar, as quoted by the Bank of Canada of US\$1.00 = \$0.7781, as of December 13, 2017.

The discussion of dilution, and the table quantifying it, assumes no exercise of any outstanding options or warrants, including warrants issued under this offering, or other potentially dilutive securities. The exercise of potentially dilutive securities having an exercise price less than the offering price would increase the dilutive effect to new investors.

If the proceeds of the offering were reduced by the Derivative Warrant Liabilities of \$5.9 million and excluding the effects of the underwriter's option to purchase additional common shares and warrants and excluding all dilutive instruments, the pro forma net tangible book value will decrease to \$0.40 per share, representing an immediate dilution of \$1.50 per share to new investors purchase. The pro forma net tangible book value was computed including the full proceeds of the offering (i.e., without including the proceeds for the Derivative Warrant Liabilities).

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The number of our common shares to be outstanding after this offering is based on 14,735,937 of our common shares outstanding as of September 30, 2017, and excludes the following:

- 2,402,188 common shares issuable upon the exercise of options issued to our directors, officers and employees, at a weighted-average exercise price of \$1.82 per common share;
- 1,052,630 common shares issuable upon conversion of debentures at an exercise price of \$1.90 per common share;
- 1,840,000 common shares issuable upon the exercise of warrants at a weighted-average exercise price of US\$15.00 per common share;
- 161,654 common shares issuable upon the exercise of warrants at a weighted-average exercise price of \$13.30 per common share;
- 1,965,259 common shares issuable upon the exercise of warrants at an exercise price of \$2.15 per common share;
- 234,992 common shares issuable upon the exercise of broker warrants at an exercise price of \$2.15 per common share;
- 337,750 common shares issuable upon the exercise of underwriter warrants at an exercise price of US\$        per common share issued in connection with this offering; and
- 6,079,500 common shares issuable upon the exercise of warrants to be issued to investors in connection with this offering at an exercise price per common share (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective.



**BUSINESS**

**Overview**

We are a biopharmaceutical innovator focused on the research, development and commercialization of prescription drugs using omega-3, or OM3, fatty acids derived from krill oil. OM3 fatty acids have extensive clinical evidence of safety and efficacy in lowering triglycerides, or TGs, in patients with hypertriglyceridemia, or HTG. Our lead product candidate is CaPre, an OM3 phospholipid, which we are developing initially for the treatment of severe HTG, a condition characterized by very high levels of TGs in the bloodstream (<sup>3</sup> 500 mg/dL). Market research commissioned by us from DP Analytics in 2016 suggests there is a significant unmet medical need for an effective, safe and well-absorbing OM3 therapeutic that demonstrates a positive impact on the major blood lipids associated with cardiovascular disease risk. We believe that, if supported by our Phase 3 program in the United States, which we initiated during the second half of 2017 and for which we plan to start clinical site activation by the end of 2017, CaPre will address this unmet medical need. We also believe the potential exists to expand CaPre’s initial indication to the high TGs (200 – 499 mg/dL) segment, although at least one additional clinical trial would likely be required to expand CaPre’s indications to this segment. We may seek to identify new potential indications for CaPre that may be appropriate for future studies and pipeline expansion. In addition, we may also seek to in-license other cardiometabolic drug candidates for drug development and commercialization.

In four clinical trials conducted to date, we saw the following beneficial effects with CaPre, and we are seeking to demonstrate similar results in our Phase 3 program:

- significant reduction of TGs and non-high density lipoprotein cholesterol (non-HDL-C) levels in the blood of patients with mild to severe HTG;
- no deleterious effect on low-density lipoprotein cholesterol (LDL-C), or “bad” cholesterol, with the potential to reduce LDL-C;
- potential to increase high-density lipoprotein cholesterol (HDL-C), or “good” cholesterol;
- good bioavailability (absorption by the body), even under fasting conditions;
- no significant food effect when taken with either low-fat or high-fat meals; and
- an overall safety profile similar to that demonstrated by currently marketed OM3s.

**Our Successful Phase 1 and Phase 2 Studies Help Reduce Phase 3 Program Risk**

Clinical Studies Completed	# Patients Enrolled	2013	2014	2015	2016
Phase 1 (PK) Single & multiple doses	42		→		
Phase 2 (COLT) Safety & efficacy HTG Open-label, 8-week	288	→			
Phase 2 (TRIFECTA) Safety & efficacy HTG Double-blind, 12-week	387	→	→		
Phase 1 (PK) CaPre vs Lovaza Bridging Single-dose Fed-Fast	56				→
<b>TOTAL PATIENTS</b>	<b>773</b>	<i>No safety concerns</i>			

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### **About Hypertriglyceridemia**

According to the American Heart Association Scientific Statement on Triglycerides and Cardiovascular Disease from 2011, TG levels provide important information as a marker associated with the risk for heart disease and stroke, especially when an individual also has low levels of HDL-C and elevated levels of LDL-C. HTG can be caused by both genetic and environmental factors, including obesity, sedentary lifestyle and high-calorie diets. HTG is also associated with comorbid conditions such as chronic renal failure, pancreatitis, nephrotic syndrome and diabetes. Multiple epidemiological, clinical, genetic studies suggest that patients with elevated TG levels ( $\geq 200$  mg/dL) are at a greater risk of coronary artery disease, or CAD, and pancreatitis, a life-threatening condition, as compared to those with normal TG levels. The genes regulating TGs and LDL-C are equally strong predictors of CAD, but HDL-C is not. Other studies suggest that lowering and managing TG levels may reduce these risks. In addition, the Japan EPA Lipid Intervention Study, or JELIS, demonstrated the long-term benefit of an OM3 eicosapentaenoic acid, or EPA, in preventing major coronary events in hypercholesterolemic patients receiving statin treatment. JELIS found a 19% relative risk reduction in major coronary events in patients with relatively normal TGs but a more pronounced 53% reduction in the subgroup with TGs  $> 150$ mg/dL and HDL-C  $< 40$ mg/dL. Recently published meta-analyses by Alexander et al. (Mayo Clinic Proceedings, 2017) and Maki et al. (Journal of Clinical Lipidology, 2016) suggest that EPA and docosahexaenoic acid, or DHA, may be associated with reducing coronary heart disease risk to a greater extent in populations with elevated TG levels, and that drugs lowering TG and TG-rich lipoproteins may reduce cardiovascular event risk in patients with elevated TG levels, particularly if associated with low HDL-C.

### **About CaPre**

CaPre is a krill oil-derived mixture containing polyunsaturated fatty acids, or PUFAs, primarily composed of OM3 fatty acids, principally EPA and DHA. EPA and DHA are well known to be beneficial for human health, and according to numerous recent clinical studies, may promote healthy heart, brain and visual function, and may also contribute to reducing inflammation and blood TGs. Krill is a natural source of phospholipids and OM3 fatty acids. The EPA and DHA contained in CaPre are delivered as a combination of OM3s as free fatty acids and OM3s bound to phospholipid esters, allowing these PUFAs to reach the small intestine where they undergo rapid absorption and transformation into complex fat molecules that are required for lipid transport in the bloodstream. We believe that EPA and DHA are more efficiently transported by phospholipids sourced from krill oil than the EPA and DHA contained in fish oil that are transported either by TGs (as in dietary supplements) or as ethyl esters in other prescription OM3 drugs (such as LOVAZA and VASCEPA), which must then undergo additional digestion before they are ready for transport into the bloodstream. The digestion and absorption of OM3 ethyl ester drugs requires a particular enzymatic process that is highly dependent on the fat content of a meal—the higher the fat content, the better the OM3 ethyl ester absorption. High fat content meals are not recommended in patients with HTG. We believe that CaPre's superior absorption profile could represent a significant clinical advantage, since taking it with a low-fat meal represents a more realistic regimen for patients with HTG who must follow a restricted low-fat diet.

CaPre is intended to be used as a therapy combined with positive lifestyle changes, such as a healthy diet, and to be administered either alone or with other drug treatment regimens such as statins (a class of drug used to reduce LDL-C). CaPre is intended to be taken orally once or twice per day in capsule form.

### **Potential Market for CaPre**

We believe a significant opportunity exists for OM3 market expansion because, among other things:

- cardiovascular diseases, or CVD, and stroke are the leading causes of morbidity and mortality in the United States. The burden of CVD and stroke in terms of life-years lost, diminished quality of life, and direct and indirect medical costs also remains enormous;
- evidence suggests potential for OM3s in other cardiometabolic indications; and

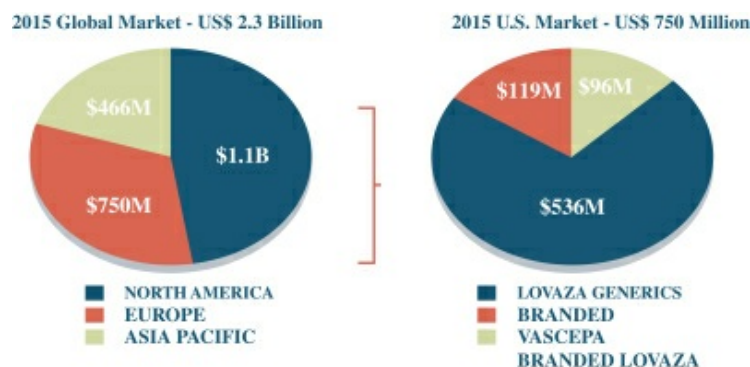
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- based on the assumption that the REDUCE-IT trial sponsored by Amarin and the STRENGTH trial sponsored by Astra Zeneca, or the CV outcome trials, will be positive, key opinion leaders interviewed by DP Analytics in the study described further below estimated that they would increase their own prescribing of OM3s by 42% in high TGs patients (200 – 499 mg/dL) and by 35% in severe HTG patients. For more information on the potential risks to our company from these trials, see “Risk Factors—*If outcome studies being conducted by two of our competitors testing the impact of OM3 on treating patients with high TGs are negative, there could also be an adverse impact for CaPre.*”

According to the American Heart Association, the prevalence of HTG in the United States and globally correlates to the aging of the population and the increasing incidence of obesity and diabetes. The American Heart Association has estimated that one-third of adults in the United States have elevated levels of TGs (TGs >150 mg/dL), including approximately 36 million people diagnosed with high TGs, and 3 to 4 million people diagnosed with severe HTG. Moreover, according to Ford *et al.* in a study conducted between 1999 and 2004, 18% of adults in the United States, corresponding to approximately 40 million people, had elevated TG levels equal to or greater than 200 mg/dl, of which only 3.6% were treated specifically with TG-lowering medication. We believe this data indicates there is a large underserved market opportunity for CaPre.

In 2015, CaPre’s target market in the United States for treatment of HTG was estimated by IMS NSP Audit data to be approximately US\$750 million, with approximately 5 million prescriptions written annually over the prior four years. The total global market for treatment of HTG was estimated by GOED Proprietary Research in 2015 to be approximately US\$2.3 billion. Currently, all marketed OM3 products are approved by the FDA only for patients with severe HTG. We believe there is the potential to greatly expand the treatable market in the United States to the approximately 36 million people with high TGs, assuming favorable results from the CV outcome studies that are currently ongoing. These CV outcome trials are expected to report in mid-2018 (the REDUCE-IT trial sponsored by Amarin) and 2019 (the STRENGTH trial sponsored by AstraZeneca) and are designed to evaluate the long-term benefit of lowering TGs on cardiovascular risks with prescription drugs containing OM3 fatty acids. If these trials are successful, additional clinical trials would likely be required for CaPre to also expand its label claims to the high TGs segment. Given the large portion of the adult population in the United States that have elevated levels of TGs but who go largely untreated, we believe there is the potential for a very significant increase in the total number of patients eligible for treatment if the CV outcome trials are positive.

The following charts illustrate the estimated global and U.S. markets for HTG in 2015, according to IMS NSP Audit data:



CaPre has two FDA-approved and marketed branded competitors (LOVAZA and VASCEPA). In addition, Astra Zeneca has an FDA-approved product, EPANOVA, which has not yet been launched. LOVAZA generics became available on the U.S. market in 2013. In spite of generic options, audited prescription data from IMS NSP Audit

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suggests that over 50% of OM3 prescriptions are written for branded products (LOVAZA or VASCEPA). By 2015, there had been only an approximately 25% decline in total market value, in spite of some generic switching that occurs at pharmacies. This stability of branded products is due in part to the fact that the pricing differential between branded and generic OM3 products is smaller than is often the case between branded and generic products in the pharmaceutical industry. Based on both primary market research with pharmacy benefit managers, or PBMs, and audited prescription reports, the average pricing of generics is currently approximately US\$190 per month, while pricing for branded products averages US\$250—US\$300 per month. Amarin has raised prices for VASCEPA annually since its launch in late 2013. PBMs offer “Preferred Brand” status (Tier 2 or Tier 3), without significant restrictions (i.e. no prior authorization, step edits, or high co-payments) for these branded OM3s.

Except as otherwise indicated, all of the information that follows under this heading has been derived from secondary sources, including audited U.S. prescribing data, and from a qualitative U.S. commercial and primary market research assessment conducted for us by DP Analytics, A Division of Destum Partners, Inc., or Destum, a market research firm, dated August 19, 2016, which we refer to as the Destum Market Research. In its market analysis for CaPre, Destum utilized secondary market data and reports and conducted primary qualitative market research with physicians and third-party payers, such as PBMs. One-on-one in-depth phone interviews lasting on average 30-60 minutes were conducted with 22 physicians and 5 PBMs, and key qualitative data was obtained by Destum on current clinical practice for treating patients with HTG, and their perceptions of the current unmet medical need in treating patients with HTG. All interviews were conducted by the same individual at Destum and recorded to ensure consistency and collection of key data points. Destum utilized OM3 prescription data from 2009 to 2015 to estimate the size of CaPre’s potential market. Based on its discussions with the PBMs, Destum also assumed CaPre would be viewed favorably by payers at launch (e.g., Tier 2 or 3, depending on payer plan, which is comparable to LOVAZA and VASCEPA). Upon completing the screening questionnaire and being approved for inclusion in Destum’s study, key opinion leaders, or KOLs, and high volume prescribers, or HVPs, were provided with a study questionnaire and were asked to comment on a target profile for a potential new OM3 “Product X” offering a “trifecta” of cardio-metabolic benefits similar to the potential efficacy and safety benefits demonstrated by CaPre in our two Phase 1 pharmacokinetic studies and two Phase 2 clinical trials, which we refer to as the Target Product Profile. Respondents were told that the unidentified product was being prepared for a Phase 3 program designed to confirm with statistical significance the product’s safety and efficacy in patients with severe HTG. The Target Product Profile was used by Destum strictly for market research analysis purposes and should not be construed as an indication of future performance of CaPre and should not be read as an expectation or guarantee of future performance or results of CaPre, and will not necessarily be an accurate indication of whether or not such results will be achieved by CaPre in our Phase 3 program. We subsequently retained Destum as our exclusive advisor and business development consultant to identify potential strategic partners for CaPre, under which Destum may be entitled to a success fee if a business arrangement or transaction is consummated. Destum’s market research and its conclusions were substantially completed prior our entry into this agreement with Destum.

During the Destum Market Research, KOLs and HVPs interviewed by Destum were asked to assess the level of unmet medical need associated with treating patients with HTG based on currently available treatment options. 91% of physicians interviewed by Destum indicated that they believe that the current unmet medical need for treating HTG was moderate to high. The reasons identified by these physicians for their dissatisfaction with the currently available OM3s included insufficient lowering of TGs (principally relating to VASCEPA), negative LDL-C effects (principally relating to LOVAZA), gastrointestinal side effects, and the fishy taste from fish oil-derived OM3s. Despite the availability of other drug classes to treat HTG, interviewed physicians indicated that they would welcome the introduction of new and improved OM3 products, particularly if they can address these perceived deficiencies.

Interviewed physicians responded favorably in the Destum Market Research to the Target Product Profile. They indicated that their weighted prescribing percentages of the Target Product Profile would increase by approximately 35% to 53% (with the range depending on the specific profile presented) of their HTG patients

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within two years of the Target Product Profile's approval. Approximately 60% of the interviewed physicians indicated that they would switch primarily due to the "trifecta effect" of the Target Product Profile on reducing TGs and LDL-C while elevating HDL-C, and the remaining 40% indicated they would switch primarily due to the Target Product Profile's effective reduction of TGs alone. In connection with their responses, the interviewed physicians were instructed to assume the Target Product Profile and all currently available OM3 products were not subject to any reimbursement or coverage hurdles (e.g., all products were on an equal health care coverage playing field). This assumption was supported by our interviews with leading PBMs in the United States.

We plan to conduct additional market research with KOLs, HVPs, primary care physicians and payers to further develop and refine our understanding of the potential marketplace for CaPre.

### **Our Clinical Data**

CaPre is being developed by us initially for the treatment of patients with severe HTG. In two Phase 2 clinical trials conducted by us in Canada (our COLT and TRIFECTA trials), CaPre was found to be safe and well-tolerated at all doses tested, with no serious adverse events that were considered treatment-related. Among the reported adverse events with an occurrence of greater than 2% of subjects and greater than placebo, only diarrhea had an incidence of 2.3%.

In both Phase 2 clinical trials, CaPre significantly lowered TGs in patients with mild to severe HTG. Importantly, in these studies, CaPre also demonstrated no deleterious effect on LDL-C (unlike LOVAZA and EPANOVA, which have been shown to significantly increase LDL-C in patients with severe HTG). Further, our Phase 2 data indicated that CaPre may actually reduce LDL-C. LDL-C is undesirable because it accumulates in the walls of blood vessels, where it can cause blockages (atherosclerosis). In the Phase 2 trials, CaPre also reduced non-HDL-C (all cholesterol contained in the bloodstream except HDL-C), which is also considered to be a marker of cardiovascular disease. The COLT trial data showed a mean increase of 7.7% in HDL-C with CaPre at 4 grams per day (p=0.07). Further studies in our Phase 3 program are required to demonstrate CaPre's statistical significance with HDL-C.

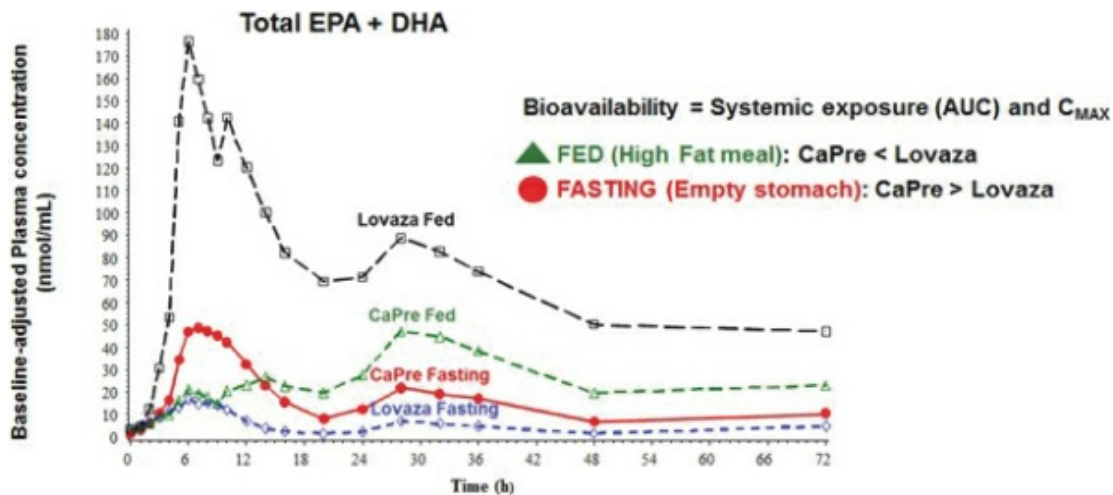
We believe that these potential multiple cardiovascular benefits, if confirmed in our Phase 3 program, could be significant differentiators for CaPre in the marketplace, as no currently approved OM3 drug has shown an ability to positively modulate these four major blood lipid categories (TGs, non-HDL-C, LDL-C and HDL-C) in the treatment of severe HTG. We also believe that if supported by additional clinical trials, CaPre has the potential to become a best-in-class OM3 compound for the treatment of patients with high TGs.

On September 14, 2016, we announced positive data from our completed comparative bioavailability study, or the Bridging Study. The Bridging Study was an open-label, randomized, four-way, cross-over, bioavailability study comparing CaPre, given as a single dose of 4 grams in fasting and fed (high-fat) states, as compared to the FDA-approved HTG drug LOVAZA (OM3-acid ethyl esters) in 56 healthy volunteers. The protocol was reviewed and approved by the FDA. The primary objective of the Bridging Study was to compare the bioavailability of CaPre to LOVAZA, each administered as a single 4 gram dose with a high-fat meal, which is the condition under which administration of OM3 drugs will yield the highest levels of EPA and DHA in the blood, and therefore has the highest potential for toxicity. To allow us to rely on the long-term safety data of LOVAZA to support a 505(b)(2) NDA for CaPre, our results had to show that the blood levels of EPA and DHA resulting from a single 4 gram dose of CaPre are not significantly higher than from a single 4 gram dose of LOVAZA under fed (high-fat meal) conditions. The Bridging Study met all of its objectives and demonstrated that the levels of EPA and DHA following administration of CaPre did not exceed corresponding levels following administration of LOVAZA in subjects who were fed a high-fat meal. We expect that these results will support a claim by us that CaPre and LOVAZA have a comparable safety profile. Also, among subjects in a fasting state, CaPre demonstrated better bioavailability than LOVAZA, as measured by significantly higher blood levels of EPA and DHA. Since most HTG patients must follow a restricted low-fat diet, we believe that CaPre's strong bioavailability profile compared to OM3 ethyl ester drugs such as LOVAZA and VASCEPA could provide a more effective clinical solution for these patients.

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We summarized and submitted data from our Bridging Study to the FDA for review and discussed it with the FDA at an End-of-Phase 2 meeting during the first quarter of 2017. We also presented our Bridging Study data at the National Lipid Association Conference in May 2017 and we plan to submit the data from our Bridging Study for peer review and publication.

The graph below illustrates that the Bridging Study achieved all of its objectives:



Absorption of EPA and DHA as ethyl ester formulations in the currently available prescription OM3 drugs derived from fish oil (such as LOVAZA and VASCEPA) require the breakdown of the ethyl esters by pancreatic enzymes (lipases) to be released into the blood. These particular enzymes are produced in response to the consumption of high-fat content meals, leading to optimal absorption of EPA and DHA. As a result, these OM3 ethyl ester formulations have demonstrated lower absorption and bioavailability when taken with a low-fat meal or on an empty stomach. As shown in our CAP13-101 study described further below, absorption of CaPre, which is formulated as OM3 phospholipids and free fatty acids, is not meaningfully affected by the fat content of a meal consumed prior to drug administration. Since a low-fat diet is typically a critical component for treatment of patients with severe HTG, we believe that being able to effectively combine CaPre with a low-fat diet could give CaPre a significant clinical and marketing advantage over the ethyl ester-based OM3s, such as LOVAZA and VASCEPA, that must be taken with a high-fat meal to achieve optimal absorption.

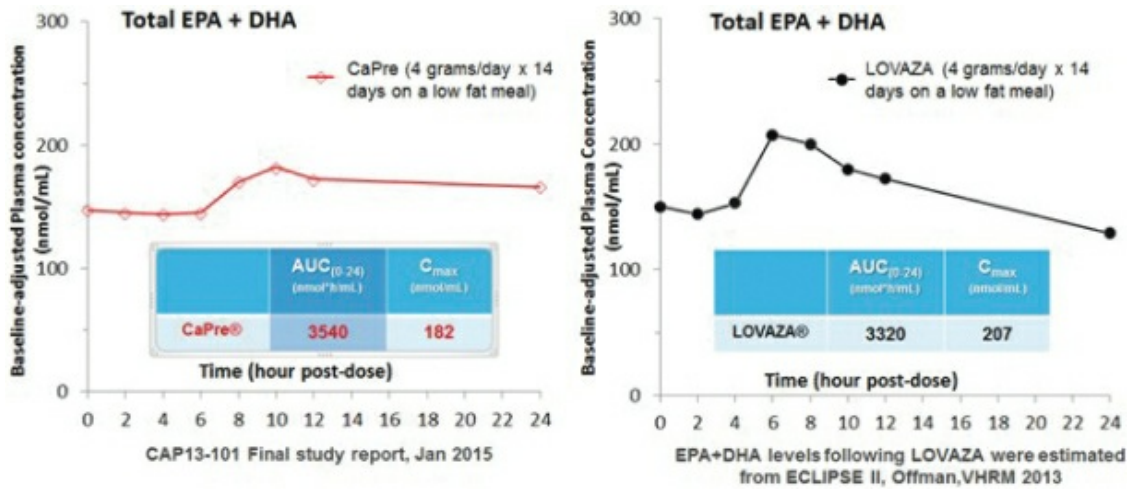
Our CAP13-101 study was an open-label, randomized, multiple-dose, single-center, parallel-design study in healthy volunteers. 42 subjects were enrolled into 3 groups of 14 subjects who took 1 gram, 2 grams or 4 grams of CaPre, administered once a day 30 minutes after breakfast. The objectives of the study were to determine the pharmacokinetic, or PK, profile and safety on Day 1 following a single oral dose and Day 14 following multiple oral doses of CaPre in individuals pursuing a low-fat diet (therapeutic lifestyle changes diet). The effect of a high-fat meal on the bioavailability of CaPre was also evaluated at Day 15. Blood samples were collected for assessment of EPA and DHA total lipids in plasma to derive the PK parameters.

The PK profile of CaPre following multiple 4 gram doses obtained in the CAP13-101 study at Day 14 was compared to the results obtained in a similar PK study (Offman 2013—ECLIPSE 2) where LOVAZA was also administered at 4 grams a day for 14 days with a low-fat diet. Although CaPre contains approximately 2.5 times less EPA and DHA compared to LOVAZA (approximately 310 mg/1g capsule for CaPre versus 770 mg/1g capsule for LOVAZA), when administered with a low-fat meal, CaPre plasma levels of EPA and DHA are very similar to those of LOVAZA, as indicated by the area under the plasma drug concentration against time curve, or AUC, and the maximal plasma drug concentration. This study provided us with the basis for the dosing and design of our Phase 3 program.



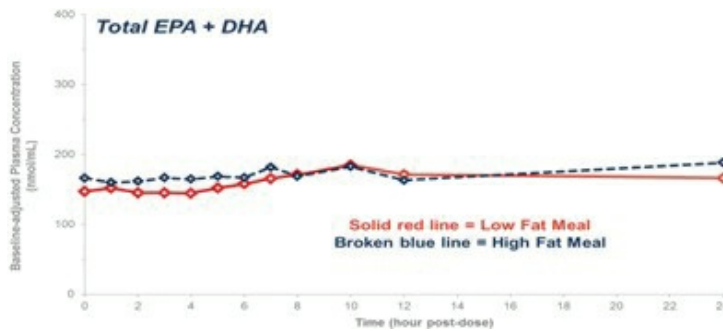
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As illustrated by the two graphs below, CaPre reached similar blood and therapeutic levels to LOVAZA after 14 daily doses of CaPre at 4 grams/day, despite CaPre containing 2.5 times less EPA and DHA compared to LOVAZA:



The graph below illustrates that the bioavailability of CaPre (total EPA+DHA levels in the blood) does not appear to be meaningfully affected by the fat content of a meal after multiple daily doses of CaPre at 4 grams/day (< 20% difference in AUC). We believe that CaPre’s strong bioavailability could represent a significant clinical advantage for CaPre since taking it with a low-fat meal represents a more realistic regimen for patients with HTG who must follow a restricted low-fat diet.

**Our Study CAP13-101 CaPre Pharmacokinetics Shows No Significant Food Effect**



The graph below presents a summary of the effects of CaPre on patients’ lipid profiles as obtained in our completed TRIFECTA and COLT Phase 2 clinical trials. 90% of the patients in these clinical trials had high TGs (levels between 200 – 499 mg/dL) and 10% of patients had severe HTG (levels between 500 and 877 mg/dL), which was the maximum level of TGs permitted by Health Canada’s study protocol. Only 30% of the participating patients were taking statins, which we believe is important because statins appear to enhance the TG-lowering effect of OM3s. In contrast, in our competitors’ summary data that follows, 100% of the patients in those studies with high TGs were taking statins with their OM3s.

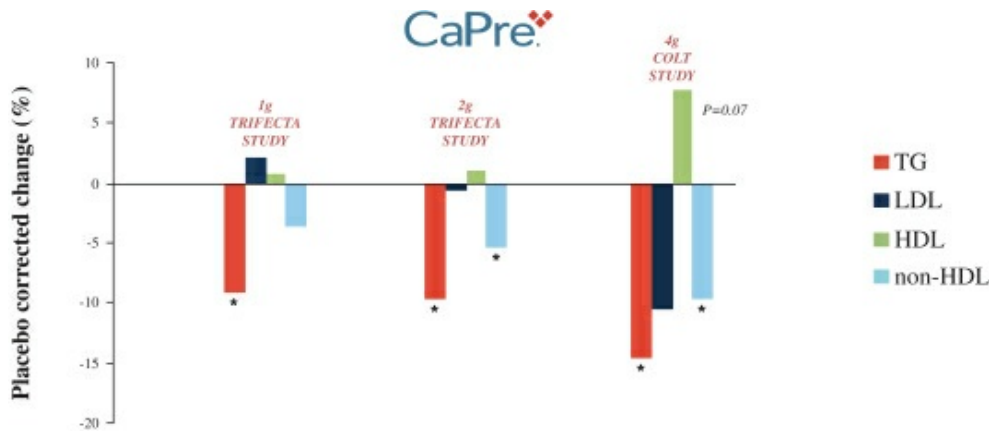
The summary data from our COLT and TRIFECTA clinical trials shows that CaPre significantly reduces TGs, but unlike some other prescription EPA/DHA-based OM3s, it has no deleterious effect on LDL-C and may



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potentially increase HDL-C (p=0.07), which we refer to as the “trifecta effect”. Also, a dose response was seen for all of the major lipid markers; the greater the dose of CaPre, the greater the beneficial effect of CaPre.

**Our Phase 2 Study Results Show CaPre Dose Response and Potential for “Trifecta” Lipid Effect**



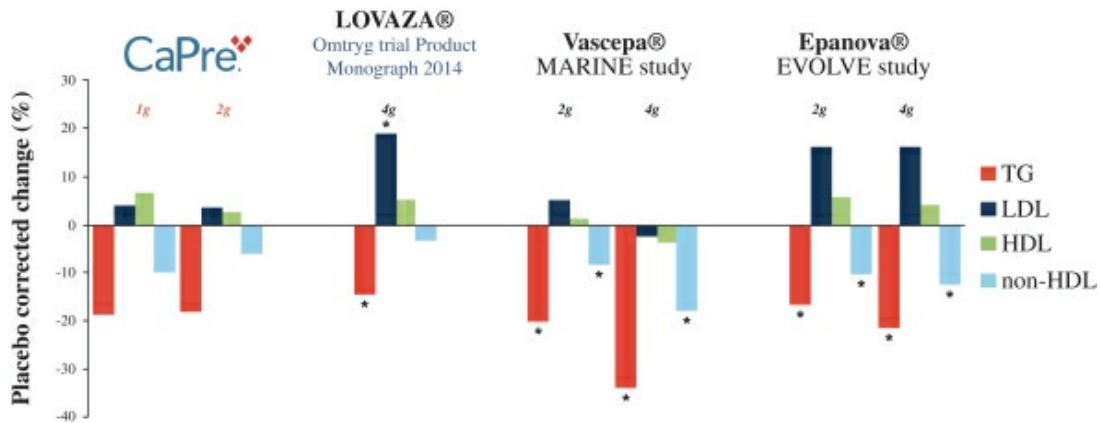
\* Indicates results reached statistical significance

TRIFECTA for 1g (N=130) & 2g (N=128) and COLT for 4g (N=62). HDL-C results at 4g from COLT approached statistical significance at P=0.07.

We conducted a subgroup analysis including only patients with severe HTG, consisting of approximately 10% of the patients from our TRIFECTA study, to compare the effects of CaPre versus other OM3 drugs in the initial target population of patients with severe HTG. Despite being given at a lower dose (only 1 gram and 2 grams), CaPre’s results compared very well with data from independent studies for the other prescription OM3 drugs that are FDA-approved for the treatment of severe HTG at higher doses of 2 grams and 4 grams. While the results of this subgroup analysis were not statistically significant for CaPre (which we believe is potentially due to the small sample size), numerically, the results compared well with the other OM3 drugs, even though CaPre was given at a much lower dose. The results for LDL-C, HDL-C and non-HDL-C levels in the subgroup shown in the table below are based on descriptive statistics only and are solely directional, meaning that no statistical testing was conducted and so no “p” values were generated.

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**Our Sub-Group Analysis in Patients with Severe HTG: CaPre<sup>1</sup> at 1g and 2g Compares Well with Our Competitors<sup>2</sup> at 2g and 4g**



Only ~1/3 of all patients across all studies were on statins

\* Indicates results reached statistical significance

1. Subgroup analysis on CaPre Phase 2 TRIFECTA study data in patients with severe HTG; (N=10 for 1g & N=14 for 2g). Results are not statistically significant for TGs, which may be explained by the small number of patients in this subgroup analysis. Results for LDL-C, HDL-C and non-HDL-C are based on descriptive statistics only (no statistical testing conducted).
2. LOVAZA 4g (N=103), VASCEPA 2g/4g (N=73/76), EPANOVA 2g/4g (N=100/99).

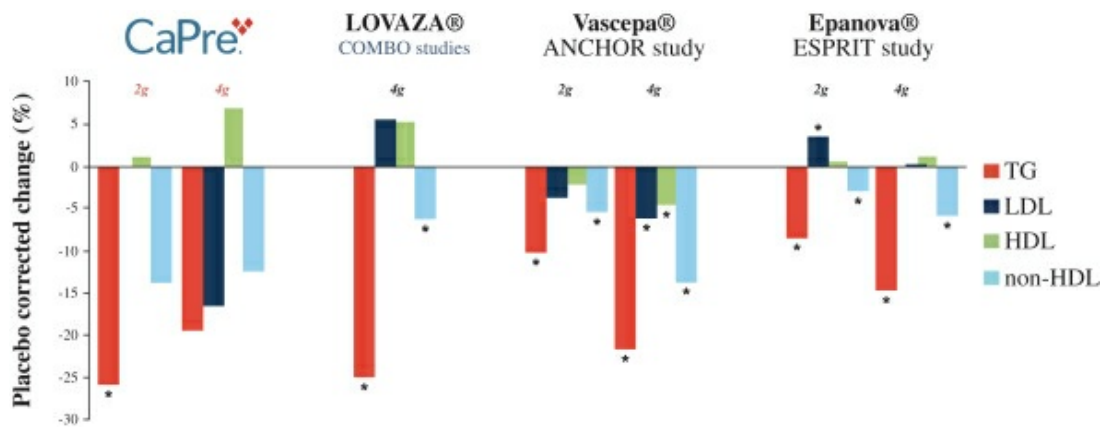
Since statins appear to enhance the TG-lowering property of OM3 drugs, we conducted a subgroup analysis that only included patients who were taking a statin at baseline in the COLT and TRIFECTA studies (approximately 30% of the population of both trials, combined). The graph below compares the TG-lowering effects of CaPre to other OM3s, all on a background of a statin drug, and shows that CaPre’s TG-lowering effects compare well with other FDA-approved OM3 drugs. We believe it is noteworthy that only 39 patients on 2 grams of CaPre in our TRIFECTA study (out of a total of 128) and only 22 patients on 4 grams of CaPre in our COLT study (out of 62) were taking statins.

The CaPre 2 gram bar graph in the table below shows the results from patients in our TRIFECTA trial who were taking statins. A statistically significant reduction in TGs (-25.7% placebo corrected) was seen in that statin subgroup. The CaPre 4 gram bar graph in the table below shows patient results only from our COLT trial (as there was no 4 gram component for our TRIFECTA). None of the results were statistically significant at 4 grams of CaPre, which we believe is potentially due to the small number of patients (22) in the statins subgroup.

As seen in the larger full study analyses in the tables above, CaPre does not show any deleterious effect on LDL, and shows the potential to decrease LDL and increase HDL (p=0.07). These observations will need to be confirmed in our Phase 3 program.

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**Our Sub-Group Analysis in Patients Treated with Statins<sup>1</sup> vs Independent Competitor Data<sup>2</sup>: Potential for CaPre Trifecta Effect**



\* Indicates results reached statistical significance

1. CaPre subgroup analyses on patients treated with statins: TRIFECTA for 2g (N=39) and COLT for 4g (N=22). For CaPre 2g, results for LDL-C, HDL-C, and non-HDL-C are based on descriptive statistics only (no statistical testing was conducted). For CaPre 4g, no results are statistically significant which may be explained by the small number of patients.
2. All patients on a statin background: LOVAZA (N=122 for 4g), VASCEPA (N= 234 for 2g, N=227 for 4g), EPANOVA (N=209 for 2g, N=207 for 4g). Statins have been shown to enhance the efficacy of OM3 products—VASCEPA NDA 202057. Statistical review, section 4.2 “Other special/Subgroup populations”, p. 107; and Maki K et al. Clin. Ther. 2013.

In summary, in addition to effectively reduce TG levels in patients with mild to severe HTG, clinical data collected by us to date indicates that CaPre may also have:

- beneficial effects on other blood lipids, such as HDL-C (good cholesterol) and non-HDL-C;
- no deleterious effect on, and may potentially reduce, LDL-C (bad cholesterol) levels; and
- absorption capability that is not meaningfully affected by the fat content of a meal consumed prior to drug administration, providing patients with the reassurance that following their physician-recommended low-fat diet will still result in high absorption.

We believe that these features could set CaPre apart from currently available FDA-approved OM3 treatment options in the marketplace and could give us a significant clinical and marketing advantage.

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Based on our Phase 2 clinical trial results, CaPre’s potential clinical benefits as compared to currently available FDA-approved OM3 treatment options are summarized in the table below and indicate that CaPre may deliver a more complete lipid management solution for patients with severe HTG:

Drug Composition	Products	Therapeutic effect				
		TG	LDL-C	HDL-C	NON-HDL-C	FOOD EFFECT
EPA + DHA Omega-3 Phospholipids / Free Fatty Acids	CaPre <sup>®</sup>	↓	■ ↓	■ ↑	↓	None
EPA + DHA Omega-3 Ethyl Esters	LOVAZA & Generics	↓	↑	■	↓	Significant
EPA only Omega-3 Ethyl Esters	VASCEPA	↓	■	↓	↓	Significant
EPA + DHA Omega-3 Free Fatty Acids	EPANOVA	↓	↑	■	↓	None

<sup>1</sup> In Phase 2 clinical studies, CaPre showed positive effects on TGs, HDL-C and non-HDL-C, and no deleterious effects (and potentially positive effects) were noted on LDL-C. Competitor information from prescription information and SEC company filings.

■ Positive effect    ■ Negative effect    ■ Neutral effect

**Our Nonclinical Research**

In addition to our Phase 2 clinical trials, we carried out an extensive nonclinical program to demonstrate the safety of CaPre in a defined set of studies required by the FDA. These studies were carried out by contract research organizations with Good Laboratory Practice certification and conducted on various species of animals recommended by the FDA to investigate the long-term effects of CaPre at doses of up to 65 grams of human equivalent dose over 39 weeks. In these studies, hematological, biochemical, coagulation and overall health parameters of CaPre were evaluated and no toxic effects were observed in any of the segments of the studies. Other studies focused on the potential toxic effects of CaPre on vital systems, such as the cardiovascular, respiratory and central nervous system as evaluated by behavioral studies of the various species. These studies showed that CaPre did not have any adverse or toxic effects on any of the vital systems investigated, again up to doses well above the recommended clinical dose of CaPre. To rule out short term toxic effects of CaPre on genes, genomic toxicity studies were undertaken on accepted cellular and animal models. These studies showed no toxic effects of CaPre on any of the genetic markers indicative of potential gene altering toxic effects.

We believe the studies conducted to date indicate that CaPre is well-tolerated and shows no significant toxic effects on any of the physiological and vital systems of the tested animals or their genes or molecules at doses well above CaPre’s anticipated clinical therapeutic dose of 4 grams daily.

In parallel to our Phase 3 program, we will have to complete additional nonclinical studies, including a pre- and postnatal development study in rodents and a 26-week oral carcinogenicity study in transgenic hemizygous rasH2 mice. These nonclinical studies will be required to support an NDA for CaPre.

**Our Phase 3 Program Design**

In March 2017, we announced our plans to proceed with our Phase 3 program following our End-of-Phase 2 meeting with the FDA in February 2017. Based on the guidance we received from the FDA, we plan to conduct two pivotal, randomized, placebo-controlled double-blinded Phase 3 studies to evaluate the safety and efficacy of CaPre in patients with severe HTG. These studies of 26 weeks duration will evaluate CaPre’s ability to lower TGs from baseline in approximately 500 patients randomized to either 4 grams daily or placebo. The FDA’s feedback supported our plan to conduct two studies in parallel, potentially shortening the time to an NDA

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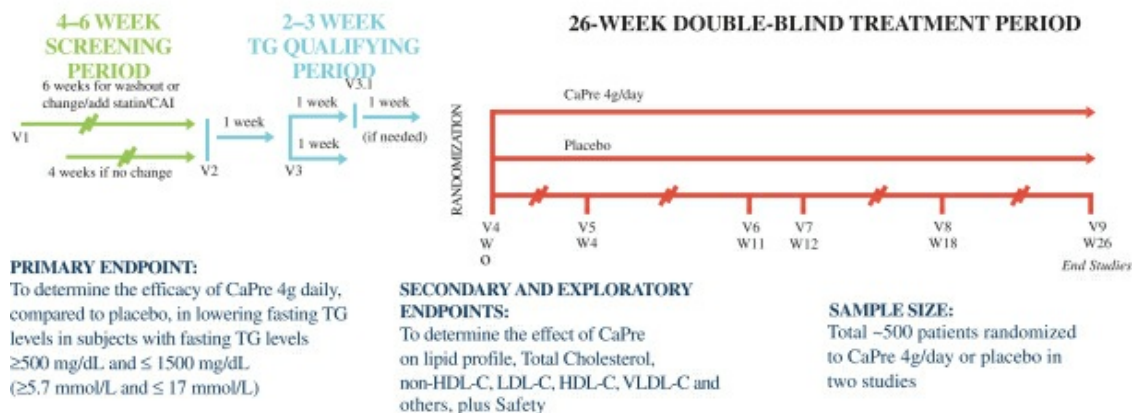
submission. These studies will be conducted in multiple centers across North America. The primary endpoint of these studies is to determine the efficacy of CaPre at 4 grams/day compared to placebo in lowering TGs in severe HTG patients, and to confirm safety. In addition, the Phase 3 studies will include numerous secondary and exploratory endpoints, which are designed to assess the effect of CaPre on the broader lipid profile and certain metabolic, inflammatory and CV risk markers. If any of these secondary or exploratory endpoints show statistical significance, they could become the basis for possible expanded claims and/or future indications for CaPre.

We have initiated our Phase 3 program and expect to begin site activation before the end of 2017, subject to obtaining the required financing through this offering. We are working with a major clinical research organization to prepare for site activation and to manage our Phase 3 program, and we recently announced that Dariush Mozaffarin, M.D., Ph.D., has agreed to serve as our principal investigator. Dr. Mozaffarin is a cardiologist and epidemiologist serving as the Jean Mayer Professor of Nutrition & Medicine, and the Dean of the Friedman School of Nutrition Science & Policy at Tufts University. His widely published research focuses on how diets, such as those rich in OM3s and lifestyle influence cardiometabolic health, and how effective policies can improve health and wellness.

The following chart illustrates the expected design and dosing of our Phase 3 program for CaPre.

### STUDY DESIGN:

- Two Phase 3, two-arm (CaPre 4g/placebo), multi-center, placebo-controlled, randomized, double-blind studies to assess the safety and efficacy of CaPre in patients with severe HTG



## Our Regulatory Strategy for CaPre

Our strategy is to develop and initially commercialize CaPre for the treatment of severe HTG. Our Phase 3 program is designed to fully evaluate the clinical effect of CaPre on TGs, non-HDL-C, LDL-C, and HDL-C levels together with a variety of other cardiometabolic biomarkers in patients with severe HTG.

In December 2015, we announced that we intend to pursue a 505(b)(2) regulatory pathway towards an NDA approval in the United States. A 505(b)(2) regulatory pathway is defined in the U.S. Federal Food, Drug, and Cosmetic Act (FDCA) as an NDA containing investigations of safety and effectiveness that are being relied upon for approval and were not, in whole, conducted by or for the applicant, and for which the applicant has not obtained a right of reference. 505(b)(2) regulatory pathways differ from a typical NDA because they allow a sponsor to rely, at least in part, on the FDA's findings of safety and/or effectiveness for a previously-approved drug. We intend to pursue the 505(b)(2) regulatory pathway as a strategy to leverage the large body of safety data for LOVAZA, which could accelerate and streamline the development of CaPre and reduce associated costs and risks.

In connection with our intended use of the 505(b)(2) pathway, the FDA supported our proposal to conduct our Bridging Study that compared CaPre (which has an OM3 free fatty acid/phospholipid composition) with the

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FDA-approved HTG drug LOVAZA (which has an OM3-acid ethyl esters composition) in healthy volunteers. In February 2017, we met with the FDA to review our Bridging Study data. We confirmed with the FDA the 505(b)(2) regulatory approach to use the safety data for LOVAZA, and finalized the study design for our Phase 3 clinical trials, which will be required for NDA approval. We expect to continue our dialogue with the FDA during the second half of 2017 to obtain feedback on our regulatory and clinical plans and to clarify or answer specific questions regarding our Phase 3 clinical studies.

Our planned key milestones and development timeline are presented below.

	2016	2017	2018	2019	2020	2021	2022
Phase 3 Prep	Mfg Scale-up and Clinical Study Planning						
FDA Meetings (Clinical and CMC)		FDA Mtgs					
Phase 3 Program		Conduct Two Phase 3 Trials (Double Blind, Placebo Controlled)					
Key Acasti Clinical Milestones		Initiate GMP Clinical Lot Builds	File IND amendment and initiate sites	Enroll patients	End Enrollment	End DB Last Patient	Top Line & Final Results
NDA Prep, Submission, Review and NDA Approval					NDA Preparation	NDA Review and Approval	
Commercial Launch						Launch Preparations	LAUNCH
Key External Milestones			REDUCE-IT Results	STRENGTH Results			

As of the date of this prospectus, we plan to start clinical site activation by the end of 2017.

**Our Intellectual Property Strategy**

Under a license agreement we entered into with Neptune in August 2008, which we refer to as the license agreement, we received an exclusive license to use Neptune’s intellectual property portfolio related to cardiovascular pharmaceutical and medical food applications. The license agreement confers to us “freedom-to-operate” in order to develop and commercialize CaPre and our novel and active pharmaceutical ingredients, or APIs, for the prescription drug and medical food markets. We entered into the license agreement with Neptune in order to allow us to develop and commercialize CaPre until these Neptune patents expire. Upon the expiry of the last-to-expire licensed Neptune patents in 2022, and the concurrent expiry of our license agreement with Neptune, we believe that CaPre will be fully covered under our own issued and pending patents, and we do not believe that we will afterwards require any license from Neptune or any other third parties to support the commercialization of CaPre.

As a result of a royalty prepayment transaction we entered into with Neptune on December 4, 2012, we are no longer required to pay any royalties to Neptune under the license agreement during its term for the use of the licensed intellectual property. The license agreement expires on the date of the last to expire patent, which is in 2022.

On August 8, 2017, Neptune announced that it sold its krill oil inventory and intellectual property to Aker. Aker then licensed the intellectual property back to Neptune. The license agreement between us and Neptune remains in place and unchanged.

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The following table summarizes the patent applications related to our license agreement with Neptune.

Patent description	US Patent #	Expiration date of patent	Holder
<b>Composition of Matter</b> (NATURAL PHOSPHOLIPIDS OF MARINE ORIGIN CONTAINING FLAVONOIDS AND POLYUNSATURATED PHOSPHOLIPIDS AND THEIR USES)	US8,030,348 <sup>(1)</sup>	2022	Aker
<b>Method of Use for Dyslipidemia</b> (KRILL AND/OR MARINE EXTRACTS FOR PREVENTION AND/OR TREATMENT OF CARDIOVASCULAR DISEASES, ARTHRITIS, SKIN CANCER, PREMENSTRUAL SYNDROME, DIABETES AND TRANSDERMAL TRANSPORT)	US8,057,825	2022	Aker
<b>Method of Extraction</b> (METHOD OF EXTRACTING LIPIDS FROM MARINE AND AQUATIC ANIMAL TISSUE)	US6,800,299	2019	Aker

(1) Three continuations also stem from U.S. Pat. 8,030,348 (U.S. Pat. 8,278,351; and 8,383,675).

In addition to the license agreement, we continue to expand our own intellectual property, or IP, portfolio and patents. We have now filed patent applications in 24 jurisdictions, including Europe, North America, Asia and Australia for our “Concentrated Therapeutic Phospholipid Composition” to treat HTG, and we currently have 20 issued or allowed patents and 15 patent applications pending. During the three-month period ended June 30, 2017, additional patents were granted to us by the Taiwanese and Australian patent offices to protect both composition of matter and methods of treatment. The last to expire of our patents is valid until 2031. In August 2017, the South Korean Patent Office has found the patent application (KR 10-2012-7013588) acceptable for grant.

Patent description	WO (PCT) application # & U.S. Patent #	Expiration date of patent family	Number of patents worldwide
Method of Use	US8,586,567 and 9,475,830		20*
Composition of Matter CONCENTRATED THERAPEUTIC PHOSPHOLIPID COMPOSITION and Method of Use	WO2011050474	2031*	(15 patents pending in approx. 24 countries)

\* Five Australian innovation patents are valid until 2018, patent (ZL 201080059930.4) granted by the Chinese Patent Office is valid until 2030 and patent (US 9475830) granted by the United States Patent and Trademark Office is valid until 2031. Our Australian patent AU 2010312238 expires in 2030.

U.S. patents were granted to us covering a method of reducing serum TG levels comprising administering a composition comprising about 66% phospholipid, or PL, (US 8,586,567), and a method of treating HTG comprising administering a composition comprising about 60% PL (US 9,475,830). We later filed a U.S. continuation patent application to pursue claims directed towards a composition encompassing an extract comprising a PL content between about 60% to about 99%. The U.S. patent granted to us covers the use of concentrated therapeutic phospholipid compositions for treating or preventing diseases associated with cardiovascular disease, metabolic syndrome, inflammation and associated diseases, neurodevelopmental diseases, and neurodegenerative diseases, comprising administering an effective amount of a concentrated therapeutic phospholipid composition. Corresponding patents have also been granted in South Africa, China, Japan, Mexico, Taiwan, Saudi Arabia, Panama, and Israel.



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A patent is generally valid for 20 years from the date of first filing. Patent terms can be further extended depending on the jurisdiction to compensate, for example, for regulatory delays during the pre-market approval process.

We believe these patents increase potential commercial opportunities for CaPre, including through possible licensing and partnership opportunities. We are committed to building a global portfolio of patents to ensure long-lasting and comprehensive intellectual property protection and to safeguard potentially valuable market expansion opportunities.

Our patent No. 600167 in New Zealand, which is enforceable until 2030 and relates to a concentrated phospholipid composition comprising 60% PL and method of using the same for treating cardiovascular diseases, has been opposed by BIO-MER Ltd. Our corresponding Australian patent No. 2010312238 was opposed by Enzymotec Ltd., but that opposition has been since been discontinued. The New Zealand patent opposition is in its early stages. In our view, no new prior art has been presented that was not already considered in other jurisdictions, such as in the United States and Japan, where our patents are in force.

We have applied for trademark protection of CaPre, and we are the owner of the trademark BREAKING DOWN THE WALLS OF CHOLESTEROL in Canada and the United States. The trademark CaPre® is registered in the United States, Canada, Australia, China, Japan and Europe. In addition, we also protect our optimization and extraction processes through industrial trade secrets and know-how.

### **Manufacturing of CaPre**

We are developing CaPre as a new chemical entity (which means a novel chemical product protected by patents), and we plan to conduct our Phase 3 program using good manufacturing practices, or cGMP, good clinical practices, or cGCP, and good laboratory practices, or cGLP. The contract manufacturing organizations, or CMOs, selected by us for manufacturing and packaging are all cGMP compliant. Batch sizes of 10 to 12 kilograms of CaPre have already been successfully produced and tested clinically, and we recently scaled up to 100 kg/day to fulfill the clinical product requirements for our Phase 3 program and initial commercial launch.

In preparation for our Phase 3 program, working together with our pharmaceutical CMOs, we have advanced the installation and qualification of the proprietary extraction and purification equipment used to manufacture CaPre. We ran our first engineered production run of CaPre in December 2016 and our first scaled cGMP production lots of CaPre at CordenPharma's Chenôve facility in Dijon, France during the first half of 2017. As of the date of this prospectus, we have completed 2 clinical lots of CaPre for our Phase 3 studies.

The graphic below illustrates the current manufacturing sequence for CaPre:



### **CaPre is manufactured under strict cGMP as per 21 CFR parts 210 and 211:**

- Developed as a new molecular entity using robust, unique *Quality-by-Design* manufacturing process
- All CMOs are cGMP compliant (manufacturing and packaging sites)
- Proprietary process with small footprint (future patents, trade secrets, and know-how)
- Scale up completed from 10-15 kg batch size to 100 kg/day

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### **Our Business and Commercialization Strategy**

Key elements of our business and commercialization strategy include initially obtaining regulatory approval for CaPre in the United States for severe HTG. We do not currently have dedicated in-house sales and marketing personnel and we are evaluating several alternative go-to-market strategies for commercializing CaPre in the United States. Our preferred strategy outside the United States is to commercialize CaPre through regional or country-specific strategic partnerships, and to potentially seek support and funding from each partner for clinical development, registration and commercialization activities. We believe that a late development-stage and differentiated drug candidate like CaPre could be attractive to various global, regional or specialty pharmaceutical companies, and we are taking a targeted approach to partnering and licensing in various geographies.

We recently entered into a non-binding term sheet with a leading China-based pharmaceutical company. Completion of the transaction is subject to further negotiation and execution of a definitive agreement, which once signed would grant an exclusive license to the Chinese pharmaceutical company to commercialize CaPre in certain Asian countries, including China. If a definitive agreement is reached and signed, the term sheet contemplates that we would receive an upfront payment of US\$8 million upon signing, plus potential regulatory and commercial milestone payments in excess of US\$125 million, and tiered double-digit royalties on net sales. The term sheet contemplates that the term of the license, including the period during which milestone payments, if any, could be achieved, would be the later of (i) the fifth anniversary of the last-to-expire patent or (ii) 2035, and the license would be automatically renewable for one renewal term of ten years. The term sheet is preliminary and non-binding at this stage and the license, upfront payment, possible milestone payments and royalties contemplated by it will only become operative if definitive documents are executed. It is possible that no definitive agreement will be reached, or, if a definitive agreement is reached, that its terms and conditions may differ from those described above.

If we reach commercialization of CaPre, as part of our sales and marketing strategy, we expect to focus our U.S. launch initially on lipid specialists, cardiologists and primary care physicians who comprise the top prescribers of lipid-regulating therapies for patients with severe HTG.

Our key commercialization goals include:

- completing our Phase 3 program and, assuming the results are positive, filing an NDA to obtain regulatory approval for CaPre in the United States, initially for the treatment of severe HTG, with the potential to afterwards expand CaPre's indication to the treatment of high TGs;
- continuing to strengthen our patent portfolio and other intellectual property rights;
- continuing to evaluate and determine the optimal strategic approach for commercializing CaPre in the United States; and
- pursuing strategic opportunities outside of the United States, such as licensing or similar transactions, joint ventures, partnerships, strategic alliances or alternative financing transactions, to provide development capital, market access and other strategic sources of capital for us.

In addition to completing our Phase 3 program, we expect that additional time and capital will be required to complete the filing of an NDA to obtain FDA pre-market approval for CaPre in the United States, and to complete business development collaborations, marketing and other pre-commercialization activities before reaching the commercial launch of CaPre.

### **Competition**

The biotechnology and pharmaceutical industries are highly competitive. There are many pharmaceutical companies, biotechnology companies, public and private universities and research organizations actively engaged in the research and development of products that may be similar to CaPre. We believe that the number of companies seeking to develop products and therapies similar to CaPre will likely increase, particularly if the CV outcome trials by Amarin and/or Astra Zeneca are successful.

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Our competitors in the United States and globally include large, well-established pharmaceutical companies, specialty pharmaceutical sales and marketing companies, and specialized cardiovascular treatment companies. GlaxoSmithKline plc, which currently sells LOVAZA, a prescription-only OM3 fatty acid indicated for patients with severe HTG, was approved by the FDA in 2004 and has been available in the U.S. market since 2005. Multiple generic versions of LOVAZA are now available in the United States. Amarin launched its prescription-only OM3 drug VASCEPA in 2013, and reached a market share of approximately 20% by the end of 2015. In addition, EPANOVA (OM3-carboxylic acids) capsules, a free fatty acid form of OM3 (comprised of 55% EPA and 20% DHA), is FDA-approved for patients with severe HTG. Omtryg, another OM3 fatty acid composition developed by Trygg Pharma AS, received FDA approval for severe HTG. Neither EPANOVA nor Omtryg have yet been commercially launched, but could launch at any time. Other large companies with products that would compete indirectly with CaPre include AbbVie, Inc., which currently sells Tricor and Trilipix for the treatment of severe HTG, and Niaspan, which is primarily used to raise HDL-C but is also used to lower TGs. Generic versions of Tricor, Trilipix, and Niaspan are also now available in the United States. In addition, we are aware of a number of other pharmaceutical companies that are developing products that, if approved and marketed, would compete with CaPre.

### **Raw Materials**

We use semi-refined raw krill oil as our primary raw material to produce CaPre. Krill is generally harvested in Antarctic waters. The total quantity of the krill species is estimated to be at least 500,000,000 metric tons. The krill biomass is the world's most abundant biomass and is monitored to help ensure sustainable cultivation. Historically, we have sourced all of our krill oil from Neptune. On August 8, 2017, Neptune announced its near-term plan to discontinue krill oil production and the sale of its krill oil inventory and intellectual property to Aker. We are evaluating alternative krill oil sources. We have sufficient krill oil inventories that we anticipate will be required to complete our Phase 3 program and we believe that alternative supplies of krill oil that can meet our specifications will be readily available.

### **Employees, Specialized Skills and Knowledge**

Our management consists of professionals from business development, sales and marketing, clinical development, pharmaceutical manufacturing, finance and science backgrounds. Our research team includes scientists with expertise in pharmaceutical development, chemistry, manufacturing and controls, nonclinical and clinical studies, pharmacology, regulatory affairs, quality assurance/quality control, intellectual property and strategic alliances. As of December 13, 2017, we employed 19 people in Canada and the United States, eight of whom have advanced biology, engineering, chemistry, biochemistry or microbiology degrees. We generally require all of our employees to enter into invention assignment, non-disclosure and non-compete agreements. We rely, in part, on some administrative and general accounting support from Neptune, and we also rely on third-party consultants from time to time. Our employees are not covered by any collective bargaining agreement or represented by a trade union.

### **Additional Information About Our Phase 2 Clinical Trials**

#### ***Our COLT Trial***

Our COLT clinical trial, which was completed in 2014, was a randomized, open-label, dose-ranging, multi-center trial in Canada designed to assess the safety and efficacy of CaPre in the treatment of patients with TG levels between 200-877 mg/dL. The primary objectives of the COLT study were to evaluate the safety and efficacy of 0.5 grams, 1 gram, 2 grams and 4 grams of CaPre per day in reducing fasting plasma TGs over 4 and 8 weeks, as compared to the standard of care alone.

The secondary objectives of the COLT study were to evaluate:

- the effect of CaPre on fasting plasma TGs in patients with TGs between 200-499 mg/dL (high TGs);

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- the dose dependent effect on fasting plasma TGs in patients with TGs between 500-877 mg/dL (severe HTG); and
- the effect of CaPre on fasting plasma levels of LDL-C (direct measurement), HDL-C, non-HDL-C, hs-CRP and OM3 index.

The final results of the COLT trial indicated that CaPre was safe and effective in reducing TGs in patients with mild to severe HTG with significant mean (average) TG reductions above 20% after 8 weeks of treatment with daily doses of 4 grams and 2 grams. Demographics and baseline characteristics of the patient population were balanced in terms of age, race and gender. A total of 288 patients were enrolled and randomized and 270 patients completed the study, which exceeded our targeted number of evaluable patients. From this patient population, approximately 90% had high TGs.

The proportion of patients treated with CaPre that experienced one or more adverse events in the COLT trial was similar to that of the standard of care group (30.0% versus 34.5%, respectively). A substantial majority of adverse events were mild (82.3%) and no severe treatment-related adverse effects were reported. Only one patient was discontinued from the study due to an adverse event of moderate intensity. While the rate of gastrointestinal side effects was higher in the CaPre groups compared to standard of care alone and appeared to increase in a dose-related manner, none of the subjects participating in the study suffered from a serious adverse event. The COLT study results showed that even at higher doses, CaPre is safe and well tolerated with only transient and predominantly mild adverse events occurring at low rates.

The COLT trial met its primary objective of showing CaPre to be safe and effective in reducing TGs in patients with mild to severe HTG. After only a 4-week treatment, CaPre achieved a statistically significant TG reduction as compared to standard of care alone. Standard of care could be any treatment physicians considered appropriate in a real-life clinical setting and included lifestyle modifications as well as statins and/or ezetimibe. Patients treated with 4 grams of CaPre per day over 4 weeks reached a mean TG decrease of 15.4% from baseline and a mean improvement of 18.0% over the standard of care. Results also showed increased benefits after 8 weeks of treatment, with patients on a daily dose of 4 grams of CaPre registering a mean TG decrease of 21.6% from baseline and a mean improvement of 14.4% over the standard of care.

After 8 weeks of treatment, patients treated with 1 gram of CaPre for the first 4 weeks of treatment and 2 grams for the following 4 weeks, showed a statistically significant TG mean improvement of 16.2% over the standard of care, corresponding to a 23.3% reduction for the 1-2 grams patient population as compared to a 7.1% reduction for the standard of care. After 8 weeks of treatment, patients treated with 2 grams of CaPre for the entire 8 weeks showed statistically significant TG mean improvements of 14.8% over the standard of care, corresponding to a 22.0% reduction for the 2 grams as compared to a 7.1% reduction for the standard of care. Also, after 8 weeks of treatment, patients treated with 4 grams for the entire 8 weeks showed statistically significant TG, non-HDL-C and HbA1C mean improvements of 14.4% and 9.8% and 15.0%, respectively, as compared to standard of care. The 4 grams group showed mean improvements in:

- TGs of 14.4%, corresponding to a reduction of 21.6% as compared to a reduction of a 7.1% for the standard of care group,
- non-HDL-C of 9.8%, corresponding to a reduction of 12.0% as compared to a reduction of 2.3% for the standard of care group, and
- HbA1c of 15.0%, corresponding to a reduction of 3.5% as compared to an increase of 11.5% for the standard of care group.

In addition, all combined doses of CaPre showed a statistically significant treatment effect on HDL-C levels, with an increase of 7.4% as compared to standard of care. Trends ( $p$ -value < 0.1) were also noted on patients treated with 4 grams of CaPre for the entire 8-week treatment period with mean reduction of total cholesterol of 7.0% and increase of HDL-C levels of 7.7%, as compared to the standard of care. The results of the COLT trial indicated that CaPre has no significant deleterious effect on LDL-C (bad cholesterol) levels.

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### ***Our TRIFECTA Trial***

Our TRIFECTA clinical trial, which was completed in 2015, was a 12-week, randomized, placebo-controlled, double-blind, dose-ranging trial in Canada, designed to assess the safety and efficacy of CaPre at a dose of 1 gram or 2 grams on fasting plasma TGs as compared to a placebo in patients with TG levels between 200-877 mg/dL. A total of 387 patients were randomized and 365 patients completed the 12-week study, consistent with our targeted number of evaluable patients. From this patient population, approximately 90% had high TGs with baseline TGs between 200 and 499 mg/dL. The remainder had severe HTG with baseline TGs between 500 and 877 mg/dL. Approximately 30% of patients were on lipid-lowering medications, such as statins, and approximately 10% were diabetic.

Similar to our COLT study, the primary objective of the TRIFECTA study was to evaluate the effect of CaPre on fasting plasma TGs in patients with TGs between 200-877 mg/dL and to assess the tolerability and safety of CaPre. The secondary objectives of the TRIFECTA study were to evaluate:

- the effect of CaPre on fasting plasma TGs in patients with TGs between 200-499 mg/dL;
- the dose dependent effect on fasting plasma TGs in patients with TGs between 500-877 mg/dL; and
- the effect of CaPre in patients with high TGs and severe HTG on fasting plasma levels of LDL-C (direct measurement), and on fasting plasma levels of HDL-C, non-HDL-C, hs-CRP and OM3 index.

CaPre successfully met the TRIFECTA's study's primary objective. The placebo-corrected percentage change in TGs were decreases of 9.1% (p=0.049) and 9.7% (p=0.044) for 1 gram and 2 grams of CaPre, respectively. Key secondary objectives were also met:

- there was a statistically significant decrease in non-HDL-C versus placebo (p=0.038), with the 2 gram group decreasing by 5.3% from baseline versus placebo over the 12-week period; and
- no deleterious effect on LDL-C (bad cholesterol).

Finally, a statistically significant dose response increase in the OM3 index for patients on 1 gram and 2 grams versus placebo was noted. The OM3 index reflects the percentage of EPA and DHA in red blood cell fatty acids and the risk of cardiovascular disease is considered to be lower as the OM3 index increases.

CaPre was found to be safe and well tolerated at all doses tested, with no serious adverse events that were considered treatment-related. Out of 387 randomized patients, a total of 7 (1.8%) were discontinued as a result of adverse events, three were on placebo, two were on 1 gram and two were on 2 grams. The predominant incidence was gastrointestinal-related, with no difference between CaPre and placebo. The safety profiles of patients on CaPre and placebo were similar.

The COLT and TRIFECTA clinical trials were conducted by JSS Medical Research, a CRO specializing in the pharmaceutical, biotechnology, nutraceutical and medical device industries, which is both owned and managed by Dr. John Sampalis, the brother of Dr. Tina Sampalis, who previously was our President and Chief Global Strategy Officer.

### **Government Regulation**

#### ***United States Drug Development***

Government authorities in the United States, at the federal, state and local level, and in other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of drug products such as CaPre. Generally, before a new drug can be marketed, considerable data demonstrating its quality, safety and efficacy must be obtained, organized into a format specific to each regulatory authority, submitted for review and approved by the regulatory authority.

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### ***FDA Regulatory Process***

In the United States, the FDA regulates drugs under the FDCA and its implementing regulations. Drugs are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state and local statutes and regulations require the expenditure of substantial time and financial resources.

In order to be marketed in the United States, CaPre must be approved by the FDA through the NDA review process. The process required before a drug may be marketed in the United States generally involves the following:

- completion of extensive nonclinical (animal) and formulation studies in accordance with applicable regulations, including the FDA's Good Laboratory Practice, or GLP, regulations;
- submission of an investigational new drug application, or IND, which must become effective before human clinical trials may begin in the United States;
- performance of adequate and well-controlled clinical trials in accordance with the applicable IND and other clinical study-related regulations, such as current Good Clinical Practices, to establish the safety and efficacy of the proposed drug for its proposed indication;
- submission of an NDA for a new drug;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities where the drug is produced to assess compliance with cGMP to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity;
- satisfactory completion of potential FDA audit of the nonclinical and/or clinical trial sites that generated the data in support of the NDA; and
- FDA review and approval of the NDA prior to any commercial marketing or sale of the drug in the United States.

The data required to support an NDA is generated in two distinct development stages: nonclinical and clinical. The nonclinical development stage generally involves synthesizing or otherwise producing the active component, developing the formulation and determining the manufacturing process, as well as carrying out non-human toxicology, pharmacology and drug metabolism studies in the laboratory, which support subsequent clinical testing. The sponsor must submit the results of the nonclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND, which is a request for authorization from the FDA to administer an investigational drug product to humans. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials. The FDA may also place the IND on clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. A clinical hold may be imposed at any time before or during a clinical trial due to safety concerns or non-compliance.

The clinical stage of development first involves the administration of the investigational drug to healthy volunteers and then to patients with the disease being targeted with the drug, all done under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with cGCP. All research subjects must provide their informed consent for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, data collection, and the parameters to be used to monitor subject safety and assess the investigational drug's efficacy. Each protocol, and any subsequent amendments to the protocol or new investigator's information, must be submitted to the FDA as part of the IND. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating

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in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the informed consent form that must be provided to each clinical trial subject or its legal representative. There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries, as well as reporting of safety information under the IND.

Clinical studies are generally conducted in three sequential phases that may overlap, known as Phase 1, Phase 2 and Phase 3 clinical trials. Phase 1 generally involves a small number of healthy volunteers who are initially exposed to a single dose and then multiple doses of the investigational drug. The primary purpose of these studies is to assess the metabolism, pharmacologic action, side effect tolerability and safety of the drug. Phase 2 trials typically involve studies in disease-affected patients to determine the dose required to produce the desired benefits. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected, as well as identification of possible adverse effects and safety risks and preliminary evaluation of efficacy. Phase 3 clinical trials generally involve large numbers of patients at multiple sites, often in multiple countries (from several hundred to several thousand subjects) and are designed to provide the data necessary to demonstrate the effectiveness of the product for its intended use, its safety in use, and to establish the overall benefit/risk relationship of the product and provide an adequate basis for product approval. Phase 3 clinical trials should, if possible, include comparisons with placebo and may include a comparison to approved therapies. The duration of treatment is often extended to mimic the actual use of a product during marketing. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of an NDA (Pivotal Studies).

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA. In addition, written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events or any finding from tests in laboratory animals that suggests a significant risk for human subjects. The FDA, the IRB, or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk.

Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides oversight and will determine whether or not a trial may move forward at designated check points based on review of interim data from the study. A clinical trial may be terminated or suspended based on evolving business objectives and/or competitive climate.

The manufacturing process must be capable of consistently producing quality batches of the investigational drug and, among other things, must develop methods for testing the identity, strength, quality and purity of the final drug product. The sponsor must develop appropriate labeling that sets forth the conditions of intended use. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

Post-approval studies, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the FDA may mandate the performance of Phase 4 studies as part of a post-approval commitment, such as pediatric studies.

### ***NDA and FDA Review Process***

Nonclinical and clinical information is filed with the FDA in an NDA along with proposed labeling. The NDA is a request for approval to market the drug and must contain proof of safety, purity, potency and efficacy, which is demonstrated by extensive nonclinical and clinical testing. Data may come from company-sponsored clinical trials intended to test the safety and effectiveness of a use of a product, or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and effectiveness of the investigational drug product to the satisfaction of the FDA.



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The submission of an NDA is subject to the payment of substantial user fees; a waiver of such fees may be obtained under certain limited circumstances. FDA approval of an NDA must be obtained before marketing a drug in the United States. In addition, under the Pediatric Research Equity Act, an NDA or supplement to an NDA must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers.

The FDA reviews all NDAs submitted before it accepts them for filing and may request additional information. The FDA must make a decision on accepting an NDA for filing within 60 days of receipt. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act, or PDUFA, the FDA has ten months from the filing date in which to complete its initial review of a standard NDA and respond to the applicant. This review typically takes 12 months from the date the NDA is submitted to the FDA including the screening which takes a period of 60 days. The FDA does not always meet its PDUFA goal dates for standard NDAs, and the review process is often significantly extended by FDA requests for additional information or clarification.

After the NDA submission is accepted for filing, the FDA reviews the NDA to determine, among other things, whether the proposed product is safe and effective for its intended use, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, strength, quality and purity. The FDA will likely re-analyze the clinical trial data, which could result in extensive discussions with the FDA.

Before approving an NDA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new product to determine whether they comply with cGMP. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. In addition, before approving an NDA, the FDA may also audit data from clinical trials to ensure compliance with cGCP requirements. After the FDA evaluates the application, manufacturing process and manufacturing facilities, it will issue a Complete Response Letter, or CRL. A CRL indicates that the review cycle of the application is complete and whether the application is approved and, when applicable, the CRL describes the specific deficiencies in the NDA and may require additional clinical data and/or an additional Phase 3 clinical trial(s), and/or other significant and time-consuming requirements related to clinical trials, nonclinical studies or manufacturing. The applicant may either resubmit the NDA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval.

If a product receives marketing approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling, may condition the approval of the NDA on other changes to the proposed labeling, or may require a Risk Evaluation and Mitigation Strategy (REMS), which could limit the ability to market the drug once approved. The FDA may also require the development of adequate controls and specifications, or a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved products.

### ***U.S. Post-Marketing Requirements***

Following approval of a new product, a pharmaceutical company and the approved product are subject to continuing regulation by the FDA, including, among other things, monitoring and recordkeeping activities, reporting to the applicable regulatory authorities of adverse experiences with the product, providing the regulatory authorities with updated safety and efficacy information, product sampling and distribution requirements, and complying with promotion and advertising requirements, which include, among others,



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standards for direct-to-consumer advertising, restrictions on promoting drugs for uses or in patient populations that are not described in the drug's approved labeling, or "off-label use", limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although physicians may prescribe legally available drugs for off-label uses, manufacturers and distributors may not market or promote such off-label uses. Modifications or enhancements to the product or its labeling or changes of the site of manufacture are often subject to the approval of the FDA and other regulators, which may or may not be received or may result in a lengthy review process. In some cases, these changes will require the submission of clinical data and the payment of a user fee.

### ***U.S. Patent Term Restoration and Marketing Exclusivity***

Depending upon the timing, duration and specifics of the FDA approval of our prescription drug candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term for an NCE of up to five years as compensation for patent term lost during product development and the FDA regulatory review process for a product that is the first permitted commercial marketed product. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of an NDA plus the time between the submission date of an NDA and the approval of that application. Only one patent applicable to an approved drug may be extended and the application for the extension must be submitted prior to the expiration of the patent. The USPTO in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restoration of patent term for one of our currently owned or licensed patents to add patent life beyond its current expiration date, depending on the expected length of the clinical trials and other factors involved in the filing and review of the relevant NDA.

### ***Non-U.S. Drug Regulation***

In Canada, biopharmaceutical product candidates are regulated by the Food and Drugs Act and the related rules and regulations, which are enforced by the Therapeutic Products Directorate of Health Canada. In order to obtain approval for commercializing new drugs in Canada, the sponsor must satisfy many regulatory conditions. The sponsor must first complete preclinical studies in order to file a clinical trial application, or CTA, in Canada. The sponsor will then receive different clearance authorizations to proceed with Phase I clinical trials, which can then lead to Phase 2 and Phase 3 clinical trials. Once all three phases of trials are completed, the sponsor must file a registration file named a New Drug Submission, or NDS, in Canada. If the NDS demonstrates that the product was developed in accordance with the regulatory authorities' rules, regulations and guidelines and demonstrates favorable safety and efficacy and receives a favorable risk/benefit analysis, then the regulatory authorities issue a notice of compliance, which allows the sponsor to market the product.

In addition to regulations in the United States and Canada, we are subject to a variety of regulations governing clinical studies and commercial sales and distribution of our products in other jurisdictions around the world. These laws and regulations typically require the licensing of manufacturing and contract research facilities, carefully controlled research and testing of product candidates and governmental review and approval of results prior to marketing therapeutic product candidates. Additionally, they require adherence to good laboratory practices, good clinical practices and good manufacturing practices during production. The process of new drug approvals by regulators in the United States, Canada and the European Union are generally considered to be among the most rigorous in the world.

Whether or not the FDA or Health Canada approval is obtained for a product, we must obtain approval from the comparable regulatory authorities of other countries before we can commence clinical studies or marketing of the product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required for the FDA or Health Canada approval. The requirements governing the conduct of

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clinical studies, product licensing, pricing and reimbursement vary greatly from country to country. In some international markets, additional clinical trials may be required prior to the filing or approval of marketing applications within the country.

### ***Active Pharmaceutical Ingredient Regulation***

The FDA will regulate finished products containing APIs developed or under development by us. Depending on its intended uses, a finished product containing the API may be regulated as a drug under the procedures described above. It may be possible to market a finished product containing an API developed or under development by us as a dietary supplement. Dietary supplements do not require FDA premarket approval. However, it may be necessary to submit a notification to the FDA that a company intends to market a dietary supplement containing a “new dietary ingredient.” In general, the regulatory requirements in other countries also depend on the nature of the finished product and do not focus on the API itself.

### **Property, Plant and Equipment**

Our head office and operations are located at 545 Promenade Centropolis, suite 100, Laval, Québec, Canada, H7T 0A3. We do not own our own manufacturing facility for the production of CaPre; however, we do own the proprietary equipment for producing the API and drug product. We currently do not have plans to develop our own manufacturing facility. However, this could change in the foreseeable future, as we consider the most cost-effective approaches to producing CaPre while ensuring the highest level of quality. We currently depend on third party suppliers and manufacturers to produce our required raw krill oil and drug substance and products. If CaPre is approved for distribution by the FDA, we initially expect to rely on cGMP-compliant third parties to manufacture NKPL66, which is the API in CaPre, encapsulate, bottle and package clinical supplies of CaPre.

We have entered into an agreement with CordenPharma Chenôve, a third party CMO, for the manufacturing of CaPre clinical material for the purposes of our Phase 3 program in accordance with cGMP regulations required by the FDA.

### **Legal Proceedings**

Our former CEO is claiming the payment of approximately \$8.5 million and the issuance of equity instruments from the Neptune group (including Acasti). As our management believes that these claims are not valid, no provision has been recognized. The Neptune group (including Acasti) also filed an additional claim to recover certain amounts from the former officer.

We are also involved in other matters arising in the ordinary course of our business. Since management believes that all related claims are not valid and it is presently not possible to determine the outcome of these matters, no provisions have been made in our financial statements for their ultimate resolution beyond the amounts incurred and recorded for such matters. The resolution of these other matters could have an effect on our financial statements in the year that a determination is made, however, in management’s opinion, the final resolution of all such matters is not projected to have a material adverse effect on our financial position.

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**SELECTED FINANCIAL INFORMATION**

The following table summarizes our selected historical financial data for the periods, and as of the dates, indicated. Our financial statements have been prepared in accordance with IFRS as issued by the IASB.

We derived the statements of net earnings and comprehensive loss data for the fiscal years ended March 31, 2017, February 29, 2016 and February 28, 2015 and the statement of financial position data as of March 31, 2017 and February 29, 2016 from our audited financial statements and the related notes thereto appearing elsewhere in this prospectus. The statements of net earnings and comprehensive loss data for the fiscal years ended February 28, 2014 and 2013 and the statement of financial position data as at February 28, 2015, 2014 and 2013 are derived from our audited financial statements and the related notes thereto not appearing in this prospectus. We derived the statements of net earnings and comprehensive loss data for the six-month periods ended September 30, 2017 and August 31, 2016 and the statement of financial position data as of September 30, 2017 from our unaudited interim financial statements and the related notes thereto appearing elsewhere in this prospectus. The statement of financial position data as at August 31, 2016 are derived from our unaudited interim financial statements and the related notes thereto not appearing in this prospectus. In the opinion of management, the unaudited interim financial statements reflect all adjustments necessary for a fair presentation of the financial statements. Our historical results are not necessarily indicative of the results that should be expected in the future, and the results for the six-month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the full year or any other period.

Beginning in fiscal 2017, our fiscal year end is on March 31. Previously, our fiscal year end was February 28. As a result, our financial statements and the corresponding notes to our financial statements appearing elsewhere in this prospectus include a transition year that includes thirteen months of operations, beginning on March 1, 2016 and ending on March 31, 2017, and two different three- and six-month periods: the period ended September 30, 2017 and the period ended August 31, 2016.

You should read this summary financial data together with our financial statements and related notes and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

(\$ in thousands, except share and per share amounts)	Six-month period ended		Fiscal year ended				
	September 30, 2017	August 31, 2016	March 31, 2017	February 29, 2016	February 28, 2015	February 28, 2014	February 28, 2013
Revenue from sales	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil	\$ 501	\$ 724
Loss from operating activities	\$ (7,184)	\$ (5,409)	\$ (11,210)	\$ (9,612)	\$ (12,395)	\$ (10,800)	\$ (6,980) <sup>(1)</sup>
Net loss and total comprehensive loss	\$ (7,285)	\$ (5,484)	\$ (11,247)	\$ (6,317)	\$ (1,655)	\$ (11,612)	\$ (6,892)
Basic and diluted loss per share	(0.49)	(0.51)	(1.01)	(0.59)	(0.16)	(1.38)	(0.95)
Total assets	\$ 19,757	\$ 23,552	\$ 25,456	\$ 28,517	\$ 37,208	\$ 45,632	\$ 12,170
Total liabilities	\$ 4,951	\$ 1,540	\$ 3,753	\$ 1,297	\$ 3,980	\$ 12,352	\$ 2,446
Share capital	\$ 66,633	\$ 61,973	\$ 66,576	\$ 61,973	\$ 61,628	\$ 61,027	\$ 28,923
Total equity	\$ 14,806	\$ 22,011	\$ 21,703	\$ 27,220	\$ 33,228	\$ 33,280	\$ 9,724
Weighted average number of shares outstanding	14,717,693	10,712,038	11,094,512	10,659,936	10,617,704	8,436,893	7,275,444
Dividends declared per share	—	—	—	—	—	—	—

(1) The lower loss from operating activities in 2013 compared to later years is in part attributable to an increase in amortization and depreciation following the increase in our license asset as a result of the prepayment of royalties to Neptune in mid-calendar 2013.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with the financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly those in the section of this prospectus entitled "Risk Factors." Our financial statements were prepared in accordance with IFRS as issued by the IASB. See the financial statements included as part of this prospectus and the notes thereto for a discussion of the significant accounting policies and significant estimates and judgments required to be made by management. Our financial results are published in Canadian dollars. All amounts appearing in this MD&A are in thousands of Canadian dollars, except share and per share amounts or unless otherwise indicated.*

#### Overview

We are a biopharmaceutical innovator focused on the research, development and commercialization of prescription drugs using omega 3, or OM3, fatty acids derived from krill oil. OM3 fatty acids have extensive clinical evidence of safety and efficacy in lowering triglycerides, or TGs, in patients with hypertriglyceridemia, or HTG. Our lead product candidate is CaPre, an OM3 phospholipid, which we are developing initially for the treatment of severe HTG, a condition characterized by very high levels of TGs in the bloodstream (> 500 mg/dL). Market research commissioned by us suggests there is a significant unmet medical need for an effective, safe and well-absorbing OM3 therapeutic that demonstrates a positive impact on the major blood lipids associated with cardiovascular disease risk. We believe that, if supported by our Phase 3 program in the United States, which we initiated during the second half of 2017 and for which we plan to start clinical site activation by the end of 2017, CaPre will address this unmet medical need. We also believe the potential exists to expand CaPre's initial indication to patients with high TGs (blood levels between 200 – 499 mg/dL), although at least one additional clinical trial would likely be required to expand CaPre's indication to this segment. We may seek to identify new potential indications for CaPre that may be appropriate for future studies and pipeline expansion. In addition, we may also seek to in-license other cardiometabolic drug candidates for drug development and commercialization.

We are subject to a number of risks associated with the conduct of our clinical program and their results, the establishment of strategic alliances and the successful development of new products and their marketing. We are currently not generating any revenues and we have incurred significant operating losses and negative cash flows from operations since inception. To date, we have financed our operations through the public offering and private placement of common shares and convertible debt, the proceeds from research grants and research tax credits, and the exercises of warrants, rights, and options. To achieve the objectives of our business plan, we plan to raise the necessary funds through additional securities offerings and the establishment of strategic alliances as well as additional research grants and research tax credits. CaPre and other product candidates developed by us will require approval from the FDA and equivalent regulatory organizations in other countries before their sale can be authorized. Our ability to ultimately achieve profitable operations is dependent on a number of factors outside of our control.

Our current assets of \$5,852 as at September 30, 2017 include cash and cash equivalents totaling \$5,329. Our liabilities total \$4,951 at September 30, 2017 and are comprised primarily of \$3,391 in amounts due to or accrued for creditors, \$1,509 for our unsecured convertible debentures and \$51 for derivative warrant liabilities. Our positive working capital balance has declined during the current fiscal year and is expected to continue to decline until we raise additional funds or find a strategic partner. Our current assets as September 30, 2017 are projected to be significantly less than needed to support our current liabilities as at that date when combined with the projected level of our expenses for the next twelve months, including the full initiation of, ongoing enrollment of patients in, and manufacturing of clinical materials for, our Phase 3 program for CaPre. Additional funds will also be needed for our expected expenses for our Phase 3 program for CaPre and other needed operations beyond the next twelve months. We also expect to incur certain increased general and administrative expenses as a result of a reduction of our shared administrative services with Neptune, with those added expenses beginning in the

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second quarter of our current fiscal year. We are working towards development of strategic partner relationships and plan to raise additional funds in the near future, but there can be no assurance as to when or whether we will complete any financing or strategic collaborations. If we do not raise additional funds, or find one or more strategic partners we may not be able to realize our assets and discharge our liabilities in the normal course of our business. As a result, there exists a material uncertainty that casts substantial doubt about our ability to continue as a going concern and, therefore, realize our assets and discharge our liabilities in the normal course of business. We currently have no other arranged sources of financing.

### **Caution Regarding Non-IFRS Financial Measures**

We use multiple financial measures for the review of our operating performance. These measures are generally IFRS financial measures, but one adjusted financial measure, Non-IFRS operating loss (adding to net loss, finance expenses, depreciation and amortization and impairment loss, change in fair value of derivative warrant liabilities, stock-based compensation and by subtracting finance income and deferred income tax recovery), is also used to assess our operating performance. We use this measure, in addition to the IFRS financial measures, for the purposes of evaluating our historical and prospective financial performance, as well as our performance relative to competitors and to plan and forecast future periods as well as to make operational and strategic decisions. We believe that providing this Non-IFRS information to investors, in addition to IFRS measures, allows them to see our results through the eyes of our management, and to better understand our historical and future financial performance.

Earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We use Non-IFRS operating loss to measure our performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe it provides meaningful information on our financial condition and operating results. Our method for calculating Non-IFRS operating loss may differ from that used by other corporations.

We calculate our Non-IFRS operating loss measurement by adding to net loss, finance expenses, depreciation and amortization and impairment loss, change in fair value of derivative warrant liabilities, stock-based compensation and by subtracting finance income and deferred tax recovery. Items that do not impact our core operating performance are excluded from the calculation as they may vary significantly from one period to another. Finance income/expenses include foreign exchange gain (loss). We also exclude the effects of certain non-monetary transactions recorded, such as stock-based compensation, from our Non-IFRS operating loss calculation. We believe it is useful to exclude this item as it is a non-cash expense. Excluding this item does not imply it is necessarily non-recurring. A reconciliation of net loss to Non-IFRS operating loss is presented further below.

### **Basis of Presentation of the Financial Statements**

Beginning in fiscal 2017, our fiscal year end is on March 31. Fiscal 2017 is a transition year, and includes thirteen months of operations, beginning on March 1, 2016 and ending on March 31, 2017. As a result, our financial statements and the corresponding notes to our financial statements for the thirteen months of operations beginning on March 1, 2016 and ending on March 31, 2017 include two unaudited periods: the one-month period ended March 31, 2017 and the twelve-month period ended February 28, 2017. In light of the change to our fiscal year end, this MD&A discusses and compares the thirteen-month period ended March 31, 2017, the twelve-month period ended February 29, 2016 and the twelve-month period ended February 28, 2015. In addition, there is a comparative discussion of our results of operations for the three and six-month periods ended September 30, 2017 and August 31, 2016, and a discussion on notable items related to our one-month result of operations ending March 31, 2017.

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Our financial statements have been prepared on a going concern basis, which assumes we will continue our operations in the foreseeable future and will be able to realize our assets and discharge our liabilities and commitments in the ordinary course of business. Our financial statements do not include any adjustments to the carrying values and classification of assets and liabilities and reported expenses that may be necessary if the going concern basis was not appropriate for our financial statements. If we are unable to continue as a going concern, material write-downs to the carrying values of our assets, including the intangible asset, could be required.

### Results of Operations

#### *Comparison of the three and six-month periods ended September 30, 2017 and August 31, 2016*

The following table summarizes our results of operations for the three and six-month periods ended September 30, 2017 and August 31, 2016:

<b>Selected Financial Information</b>	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Net loss	(4,507)	(2,329)	(7,285)	(5,484)
Basic and diluted loss per share	(0.31)	(0.22)	(0.49)	(0.51)
Non-IFRS operating loss	(3,423)	(1,625)	(5,519)	(3,911)
Total assets	19,757	23,552	19,757	23,552
Working capital <sup>1</sup>	2,461	7,047	2,461	7,047
Total non-current financial liabilities	1,560	58	1,560	58
Total equity	14,806	22,011	14,806	22,011

<sup>1</sup> The working capital is presented for information purposes only and represents a measurement of our short-term financial health. The working capital is calculated by subtracting current liabilities from current assets. Because there is no standard method endorsed by IFRS requirements, the results may not be comparable to similar measurements presented by other public companies.

### Reconciliation of Net Loss to Non-IFRS Operating Loss

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Net loss	(4,507)	(2,329)	(7,285)	(5,484)
Add (deduct):				
Stock-based compensation	295	210	331	275
Depreciation and amortization	667	615	1,334	1,223
Financial expenses (income)	146	(55)	259	173
Change in fair value of derivative warrant liabilities	(24)	(66)	(158)	(98)
Non-IFRS operating loss	(3,423)	(1,625)	(5,519)	(3,911)

The net loss totaling \$4,507 or (\$0.31) per share for the three-month period ended September 30, 2017 increased by \$2,178 or (\$0.09) per share from the net loss totaling \$2,329 or (\$0.22) per share for the three-month period ended August 31, 2016. This resulted primarily from the \$1,798 increased Non-IFRS operating loss and a \$201 increase in financial expense, \$42 from a decreased gain due to change in value of the warrant derivative liability, a \$85 increase in stock-based compensation and a \$52 increase in depreciation and amortization.

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The net loss totaling \$7,285 or (\$0.49) per share for the six-month period ended September 30, 2017 increased by \$1,801 or (\$0.02) per share from the net loss totaling \$5,484 or (\$0.51) per share for the six-month period ended August 31, 2016. This resulted primarily from the \$1,608 increased Non-IFRS operating loss and an \$86 increase in financial expense, combined with \$60 from an increased gain due to the change in value of the warrant derivative liability, a \$56 increase in stock-based compensation and a \$111 increase in depreciation and amortization.

Stock-based compensation expense increased by \$85 to \$295 for the three-month period ended September 30, 2017 from \$210 for the three-month period ended August 31, 2016. 100,000 options were granted in the three-month period ending September 30, 2017 compared to nil in the three-month period ending August 31, 2016. Stock-based compensation expense increased by \$56 to \$331 for the six-month period ended September 30, 2017 from \$275 for the six-month period ended August 31, 2016. There was an increase of 286,100 options granted in the six-month period ended September 30, 2017 compared to the six-month period ended August 31, 2016. The increase in stock based compensation resulted primarily from the number of options vesting in the comparable periods. At September 30, 2017, 394,346 options were exercisable compared to 197,845 at August 31, 2016.

Depreciation and amortization expense increased by \$52 to \$667 for the three-month period ended September 30, 2017 from \$615 for the three-month period ended August 31, 2016, due to increased operational production equipment. Depreciation and amortization expense increased by \$111 to \$1,334 for the six-month period ended September 30, 2017 from \$1,223 for the six-month period ended August 31, 2016, also due to increased operational production equipment.

Financial expenses increased by \$201 to \$146 for the three-month period ended September 30, 2017 from income of \$55 for the three-month period ended August 31, 2016. This resulted primarily from a \$78 change from a foreign exchange gain of \$10 for the three-month period ended August 31, 2016 to a foreign exchange loss of \$68 for the three-month period ended September 30, 2017. This change also resulted from an increase in interest on convertible debentures of \$92 for the three-month period ended September 30, 2017 compared to nil for the three-month period ended August 31, 2016, and a decrease of \$33 in interest income and other charges for the three-month period ended September 30, 2017 compared to the three-month period ended August 31, 2016, mainly related to the pledge amount earning interest at 9% that was released by Neptune on September 20, 2016.

Financial expenses increased by \$86 to \$259 for the six-month period ended September 30, 2017 from \$173 for the six-month period ended August 31, 2016. This resulted primarily from a \$160 reduced foreign exchange loss from a loss of \$264 for the six-month period ended August 31, 2016 to a loss of \$104 for the six-month period ended September 30, 2017. This was offset by an increase in interest on convertible debentures of \$183 for the six-month period ended September 30, 2017 compared to nil for the six-month period ended August 31, 2016, and a decrease of \$76 in interest income and other charges compared to the quarter ended August 31, 2016, mainly related to the pledge amount earning interest at 9% that was released by Neptune on September 20, 2016.

The fair value of the derivative warrant liabilities totaled \$51 at September 30, 2017 or \$24 less than the \$75 fair value at June 30, 2017 and \$158 less than the \$209 fair value at March 31, 2017. The fair value of the warrants is estimated at each reporting date using the Black-Scholes option pricing model. The fair value of the warrants issued in connection with our previous securities offerings was determined to be \$0.58 per warrant upon issuance, \$0.03 per warrant at September 30, 2017, \$0.04 per warrant at June 30, 2017 and \$0.11 per warrant as of March 31, 2017. During the three-and six-month periods ended September 30, 2017, the fluctuation in our stock price and the volatility decline resulted in a gain based on the change in fair value of the warrant liabilities reducing the corresponding liability in the statement of financial position. The fair value of the derivative warrant liabilities totaled \$58 at August 31, 2016 or \$66 less than the \$124 value at May 31, 2016 and \$98 less than the \$156 fair value at February 29, 2016. In the three and six-month periods ended August 31, 2016, the decline in our stock price and volatility resulted in a gain based on the change in fair value of the warrant liabilities reducing the corresponding liability in the statement of financial position.



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Non-IFRS operating loss increased by \$1,798 for the three-month period ended September 30, 2017 to \$3,423 compared to \$1,625 for the three-month period ended August 31, 2016. This was primarily due to an increase in research and development, or R&D, expenses of \$1,642 and an increase in general and administrative, or G&A, expenses of \$156, before consideration of stock-based compensation, amortization and depreciation. Non-IFRS operating loss increased by \$1,608 for the six-month period ended September 30, 2017 to \$5,519 compared to \$3,911 for the six-month period ended August 31, 2016. This primarily resulted due to an increase in R&D expenses of \$1,152 and an increase in G&A expenses of \$456, before consideration of stock-based compensation, amortization and depreciation.

### *Breakdown of major components of the statement of earnings and comprehensive loss for the three and six-month periods ended September 30, 2017 and August 31, 2016*

<b>Research and development expenses</b>	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Salaries and benefits	342	248	701	543
Stock-based compensation	90	30	123	42
Research contracts	1,553	658	2,071	2,059
Professional fees	672	63	1,042	149
Depreciation and amortization	667	614	1,334	1,223
Other	64	4	120	17
Government grants and tax credits	(39)	(23)	(60)	(46)
Total	<u>3,349</u>	<u>1,594</u>	<u>5,331</u>	<u>3,987</u>

<b>General and administrative expenses</b>	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Salaries and benefits	301	229	662	424
Administrative fees	37	75	88	150
Stock-based compensation	205	181	208	233
Professional fees	405	306	726	478
Other	88	65	169	137
Total	<u>1,036</u>	<u>856</u>	<u>1,853</u>	<u>1,422</u>

### *Three-month period ended September 30, 2017 compared to three-month period ended August 31, 2016*

During the three-month period ended September 30, 2017, we continued to move our R&D program forward as planned on our previously announced timeline for the conduct of our Phase 3 clinical program and production scale-up. The \$3,349 in total R&D expenses for the three-month period ended September 30, 2017 totaled \$2,592 before depreciation, amortization and stock-based compensation expense, compared to \$1,594 in total R&D expenses for the three-month period ended August 31, 2016, or \$950 before depreciation, amortization and stock-based compensation expense. This \$1,642 increase in R&D expenses before depreciation, amortization and stock-based compensation was mainly attributable to the \$895 increase in research contracts as well as an increase of \$609 in professional fees. The increased research contract expense resulted primarily from a \$693 increase in contracts associated with our clinical trial program, as \$956 was incurred primarily with our clinical research organization, or CRO, during the three-month period ended September 30, 2017 in preparation for our Phase 3 clinical study program site activation initiation by the end of 2017. This compares to \$263 incurred during the prior comparative period in connection with the completion of contracts under our successful Phase 1 bioavailability bridging clinical study. The remaining \$202 in increased research contracts resulted from expanded scale-up production activities relating to CaPre during the three-month period ended September 30,

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2017. The increased professional fees resulted primarily from completing due diligence and preliminary discussions for strategic R&D partnership and licensing arrangements. An increase of \$94 in incremental salaries and benefits primarily related to full-time compared to half-time direct leadership and management of R&D, combined with the addition of several technicians to production and quality control during the three-month period ended September 30, 2017 compared to the three-month period ended August 31, 2016.

G&A expenses totaling \$831 before stock-based compensation expense for the three-month period ending September 30, 2017 increased by \$156 from \$675 for the three-month period ended August 31, 2016. This \$156 increase was mainly attributable to a \$72 increase in salaries and benefits associated with adding full-time executive and managerial headcount to support our strategy and financing while becoming more independent from Neptune, partially offset by a \$38 reduction in administrative fees. This increase also resulted from net increased professional fees of \$99 due primarily to expenses for legal fees relating to the conduct of our annual and special meeting of shareholders, the completion of our periodic filings and other corporate matters, and the reactivation of our public and investor relations programs. The increased legal fees partially resulted from us becoming more independent from Neptune and resulting increased reliance on external legal counsel. These increases were partially offset by reduced marketing research expenses during the three-month period ended September 30, 2017.

### ***Six-month period ended September 30, 2017 compared to six-month period ended August 31, 2016***

As we continued our Phase 3 clinical program progress and production scale-up of CaPre within our R&D program, \$5,331 was incurred in total R&D expenses for the six-month period ended September 30, 2017 and \$3,874 was incurred before depreciation, amortization and stock-based compensation expense. This compares to \$3,987 in total R&D expenses for the six-month period ended August 31, 2016 or \$2,722 before depreciation, amortization and stock-based compensation expense. This \$1,152 increase in R&D expenses before depreciation, amortization and stock-based compensation was mainly attributable to the \$893 increase in professional fees incurred in completing due diligence and preliminary discussions for strategic R&D partnership and licensing arrangements. Research contract expense remained approximately \$2,000, but the nature of the expenses changed. Of the \$2,000 expenses, \$1,059 related to the Phase 3 and other clinical study programs, and \$1,011 of contract manufacturing, or CMO, production expenses for the six-month period ended September 30, 2017. This is compared to \$1,534 of expenses for our PK Bridging and other clinical study programs and \$525 in CMO production expenses for the six-month period ended August 31, 2016. Salary and benefits also contributed to the overall increase by \$158 related to R&D management, combined with additional headcount for production and quality control in August 2017, as we advance our Phase 3 clinical study program. Of the increase of \$103 in other expenses, \$46 related to increased travel expenses for the strategic development due diligence activities.

G&A expenses totaling \$1,645 before stock-based compensation expense for the six-month period ending September 30, 2017 increased by \$456 from \$1,189 for the six-month period ended August 31, 2016. This \$456 increase was mainly attributable to a \$238 increase in salaries and benefits associated with adding full-time executive and managerial headcount to support our strategy and financing while becoming more independent from Neptune, offset by a \$62 reduction in administrative fees. This increase also resulted from increased professional fees of \$248 due primarily to expenses relating to reactivating our public and investor relations programs and additional legal fees due to increased independence from Neptune, as well as an increase of \$32 in other expenses.

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### **Comparison of the one-month and thirteen-month periods ended March 31, 2017 and years ended February 29, 2016 and February 28, 2015**

The following table summarizes our results of operations for the one-month and thirteen month periods ended March 31, 2017 and fiscal years ended February 29, 2016 and February 28, 2015:

	One-month period ended March 31, 2017 \$	Thirteen-month period ended March 31, 2017 \$	Year ended February 29, 2016 \$	Year ended February 28, 2015 \$
Net loss	(769)	(11,247)	(6,317)	(1,655)
Basic and diluted loss per share	(0.05)	(1.01)	(0.59)	(0.16)
Non-IFRS operating loss	(406)	(7,798)	(6,569)	(8,507)
Total assets	25,456	25,456	28,517	37,208
Working capital(1)	8,049	8,049	10,184	18,020
Total non-current financial liabilities	1,615	1,615	156	2,357
Total equity	21,703	21,703	27,220	33,228

- (1) Working capital is presented for information purposes only and represents a measurement of our short-term financial health mostly used in financial circles. Working capital is calculated by subtracting current liabilities from current assets. Because there is no standard method endorsed by IFRS requirements, the results may not be comparable to similar measurements presented by other public companies.

### **Reconciliation of Net Loss to Non-IFRS Operating Loss**

	One-month period ended March 31, 2017 \$	Thirteen-month period ended March 31, 2017 \$	Year ended February 29, 2016 \$	Year ended February 28, 2015 \$
Net loss	(769)	(11,247)	(6,317)	(1,655)
<b>Add (deduct):</b>				
Stock-based compensation	86	674	309	1,553
Depreciation and amortization/Impairment of intangible assets	226	2,738	2,734	2,335
Financial expenses (income)	29	113	(1,094)	(1,916)
Change in fair value of derivative warrant liabilities	22	53	(2,201)	(8,824)
Deferred income tax recovery	—	(129)		
Non-IFRS operating loss	<u>(406)</u>	<u>(7,798)</u>	<u>(6,569)</u>	<u>(8,507)</u>

The net loss totaling \$11,247 or (\$1.01) per share for the thirteen-month period ended March 31, 2017 increased \$4,930 or (\$0.42) per share compared to the net loss totaling \$6,317 or (\$0.59) per share for the year ended February 29, 2016. This change resulted primarily based on the \$1,229 increased non-IFRS operating loss explained below, \$2,254 from the increased loss due to the change in value of the warrant derivative liability due to the reduction in our share price, a \$1,207 financial expense increase (led by a foreign exchange gain during the prior period transitioning to a foreign exchange loss during the current period), and increased depreciation and stock compensation expense offset by no impairment charge in the current period compared to the \$339 charge in the prior period combined with the \$129 tax benefit recognized in the current period.

The net loss totaling \$6,317 or (\$0.59) per share for the year ended February 29, 2016 increased \$4,662 or (\$0.43) per share compared to the net loss totaling \$1,655 or (\$0.16) per share for the year ended February 28,

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2015. This change resulted primarily based on the \$7,445 decrease in net financial income, including a \$6,623 decrease in the fair value of the warrant liabilities and the \$810 decrease in the foreign exchange gain offset by the \$1,527 decrease in G&A expenses and \$1,256 decrease in R&D expenses.

There are no notable matters in stock-based compensation expense and no grants for the one-month period ended March 31, 2017. The overall stock-based compensation expense increased for the thirteen-month period ending March 31, 2017 as a total of 1,300,400 stock options were granted compared to 109,188 stock options being granted for the year ended February 29, 2016. The stock-based compensation expense decreased for the year ended February 29, 2016 compared to the same period in 2015 as the 2012 grants had fully vested.

Depreciation, amortization and impairment expense totaled \$2,738 for the thirteen-month period ended March 31, 2017, which approximated the same amount when compared to the year ended February 29, 2016. However, there was a change in the mix of this expense as the thirteen-month period ended March 31, 2017 included only depreciation and amortization with the impact of one additional month of depreciation and amortization expense and the addition of new equipment generating incremental depreciation expense, but not the \$339 impairment charge recognized during the year ended February 29, 2016. If the impairment charge is excluded from the expense for the year ended February 29, 2016, then the depreciation and amortization expense totaling \$2,395 approximates the expense for the year ended February 28, 2015.

The net financial expenses (income) totaling \$29 for the month ended March 31, 2017 also resulted primarily from the interest expense from our recent private placement financing in Canada. Net financial expenses (income) totaling \$113 for the thirteen-month period ended March 31, 2017 reflect a \$1,207 decrease compared to (\$1,094) for the year ended February 29, 2016 primarily resulting from the \$1,023 foreign exchange gain recognized during the year ended February 29, 2016 changing to the \$180 foreign exchange loss recognized during the thirteen-month period ended March 31, 2017. The foreign exchange changes resulted primarily from the utilization of US\$-denominated cash and cash equivalents over the periods generating lower US\$-denominated cash and cash equivalents throughout the periods and at March 31, 2017 compared to February 29, 2016 and, the periods then ended combined with a decrease in the reporting US\$ exchange rate. The US\$-denominated cash, cash equivalents and short-term investments totaled US\$3,524 at March 31, 2017 and US\$10,314 at February 29, 2016 and the exchange rate reporting of CA\$ per US\$ was \$1.3299 at March 31, 2017 compared to \$1.3531 at February 29, 2016. Additionally, interest income for the thirteen-month period ended March 31, 2017 totaled \$125 compared to \$73 for the year ended February 29, 2016, and \$39 in interest expense was incurred in the current period, including \$31 in March, in connection with the convertible debentures from the private placement. The net financial expenses (income) of (\$1,094) for the year ended February 29, 2016 was \$822 less than (\$1,916) for the year ended February 28, 2015 based on the lower foreign exchange gain that year.

The fair value of the derivative warrant liabilities totaled \$209 at March 31, 2017, or \$53 more than the \$156 fair value at February 29, 2016, \$22 of which was recognized during the one-month ended March 31, 2017. The \$156 fair value of the derivative warrant liabilities at February 29, 2016 was \$2,201 less than the \$2,357 value at February 28, 2015 and the decline in value for the year-ended February 28, 2015 was \$8,824. The fair value of the warrants is estimated at each reporting date using the Black-Scholes option pricing model. The fair value of the warrants issued in connection with our previous offerings was determined to be \$0.58 per warrant upon issuance, \$0.09 per warrant at February 29, 2016 and \$0.11 per warrant as of March 31, 2017. In fiscal years 2016 and 2015, the decline in our stock price resulted in gains based on the change in fair value of the warrant liabilities reducing the corresponding liability in the statement of financial position.

We recorded a \$129 deferred income tax recovery at February 28, 2017 to reduce to nil an income tax liability that was attributable to the difference between the tax basis and the carrying amount of the unsecured convertible debentures.

The non-IFRS operating loss increased by \$1,229 for the thirteen-month period ended March 31, 2017 to \$7,798 compared to \$6,569 for the year-ended February 29, 2016. This increase was primarily due to the incremental

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one-month period non-IFRS operating loss of \$406 for March 2017 as well as increased G&A expenses compared to the prior period before consideration of stock-based compensation and amortization and depreciation. There were no notable matters for the one-month period ended March 31, 2017. The non-IFRS operating loss for the year ended February 29, 2015 totaled \$8,507 or a \$1,938 decrease compared to the year ended February 29, 2016.

### ***Breakdown of major components of statement of earnings and comprehensive loss for the one-month and thirteen-month periods ended March 31, 2017 and fiscal years ended February 29, 2016 and February 28, 2015***

Research and development expenses	One-month period ended March 31, 2017	Thirteen-month period ended March 31, 2017	Year ended February 29, 2016	Year ended February 28, 2015
	\$	\$	\$	\$
Salaries and benefits	104	1,294	989	465
Stock-based compensation	18	107	53	258
Research contracts	63	3,149	2,730	5,062
Professional fees	57	634	1,171	865
Depreciation and amortization	226	2,738	2,395	2,335
Impairment of intangible assets	—	—	339	—
Other	3	61	238	101
Government grants and tax credits	(45)	(330)	(349)	(264)
<b>Total</b>	<b>426</b>	<b>7,653</b>	<b>7,566</b>	<b>8,822</b>

General and administrative expenses	One-month period ended March 31, 2017	Thirteen-month period ended March 31, 2017	Year ended February 29, 2016	Year ended February 28, 2015
	\$	\$	\$	\$
Salaries and benefits	110	1,198	409	617
Administrative fees	25	325	579	650
Stock-based compensation	68	567	256	1,296
Professional fees	52	1,053	616	593
Rent	10	121	67	99
Other	27	293	119	318
<b>Total</b>	<b>292</b>	<b>3,557</b>	<b>2,046</b>	<b>3,573</b>

### ***Thirteen-month and one-month periods ended March 31, 2017 compared to fiscal year-ended February 29, 2016***

R&D expenses totaled \$7,653 for the thirteen-month period ended March 31, 2017, or an increase of \$87 compared to \$7,566 in total R&D expenses for the year ended February 29, 2016. The R&D expense increase resulted primarily from \$426 in total R&D expenses during March 2017, the thirteenth month of the period ended March 31, 2017, offset by no intangible asset impairment charge in the thirteen-month period ended March 31, 2017 compared to the \$339 charge last year. R&D expenses, before consideration of stock-based compensation, amortization and depreciation and impairments of intangible assets, increased by \$29 for the thirteen-month period ended March 31, 2017, including \$182 during the month of March 2017, to \$4,808 compared to \$4,779 for the year ended February 29, 2016. The increase of \$29 was mainly attributable to the increase in research contracts of \$419 and salaries and benefits of \$305, principally offset by decreases in professional fees of \$537, other expenses of \$177 and government grants of \$19. The increase of \$419 in research contracts during the thirteen-month period ended March 31, 2017 includes \$63 relating to the additional one-month period ended

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March 31, 2017, but was primarily due to the cost of our Phase 2 bioavailability bridging clinical study initiated early in fiscal 2017 exceeding the cost of our other Phase 2 and non-clinical testing completed in fiscal 2016. The increased salaries and benefits represented the cost of the expanded team headcount, led by full-time dedicated management (only part time in prior years), needed for us to continue our pharmaceutical process and analytical development and chemistry manufacturing control scale-up, as planned on our previously announced timeline. The decrease of \$537 in professional fees is primarily due to a decrease in the development consulting fees incurred last year for our prior Phase 2 clinical study analytics and the planning for our Phase 2 bridging clinical study during the thirteen-month period ended March 31, 2017.

G&A expenses totaled \$3,557 for the thirteen-month period ended March 31, 2017, or an increase of \$1,511 compared to total G&A expenses of \$2,046 for the year ended February 29, 2016. This period-to-period increase includes \$292 in total G&A expenses for the thirteenth month of March 2017, \$243 in increased stock-based compensation expense and a \$976 increase in other G&A expenses, excluding the thirteenth month and stock-based compensation expenses. G&A expenses, excluding the stock-based compensation, increased \$1,200 to \$2,990 for the thirteen-month period ended March 31, 2017, including \$224 during the month of March 2017, compared to \$1,790 for the year ended February 29, 2016. This increase was primarily attributable to a \$789 increase in salaries and benefits offset by a \$254 decrease in Neptune administrative fees, combined with increased professional fees of \$437, rent of \$54 and other expenses of \$174. The increase in salaries and benefit expenses resulted from our need for the added full-time executive and managerial headcount to lead our strategy, incremental financing and back office while supporting continued and expanded R&D with the need for full-time leadership from our management (which was only part time in prior years). The increased professional fees were principally comprised of expenses associated with our investor and public relations program, the achievement of business development milestones, increased market research expenses, and non-recurring project legal and accounting fees associated with the year-end change and immigration-related fees for the U.S.-resident executives.

### ***Fiscal year ended February 29, 2016 compared to fiscal year ended February 28, 2015***

R&D expenses totaled \$7,566 for the year ended February 29, 2016, or \$1,256 less than \$8,822 in total R&D expenses for the year ended February 28, 2015. This R&D expense decrease resulted primarily from R&D expenses, before consideration of stock-based compensation, amortization and depreciation and impairment of intangible assets, decreasing by \$1,450 to \$4,779 from \$6,229. This decrease is mainly attributable to a significant decrease in contract expenses related to our clinical studies of \$2,332 and government grants increase of \$85, partially offset by an increase in salaries and benefits of \$524, professional fees of \$306 and other expenses of \$137.

G&A expenses totaled \$2,046 for the year ended February 29, 2016, or \$1,527 less than \$3,573 for the year ended February 28, 2015. This G&A expense decrease resulted primarily from G&A expenses, before consideration of stock-based compensation, decreasing by \$487 to \$1,790 for the year ended February 29, 2016 from \$2,277 for the year ended February 28, 2015. This decrease is mainly attributable to decreases in salaries of \$208, administrative fees of \$71, rent of \$32 and other expenses of \$199 partially offset by an increase in professional fees of \$23.

### **Selected Quarterly Financial Data**

#### ***Six-months ended September 30, 2017 and Fiscal year ended March 31, 2017***

<u>(In thousands of dollars)</u>	Three-month period ended September 30,	Three-month period ended June 30,	March 31,	November 30,	August 31,	May 31,
	<u>2017</u>	<u>2017</u>	<u>2017<sup>(1)</sup></u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	\$	\$	\$	\$	\$	\$
Net loss	(4,507)	(2,778)	(3,367)	(2,397)	(2,330)	(3,154)
Basic and diluted loss per share	(0.31)	(0.19)	(0.28)	(0.22)	(0.22)	(0.29)

(1) This fiscal quarter represents a period of four months ended March 31, 2017.

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### *Fiscal year ended February 29, 2016*

<u>(In thousands of dollars)</u>	<u>February 29,</u> <u>2016</u> <u>\$</u>	<u>November 30,</u> <u>2015</u> <u>\$</u>	<u>August 31,</u> <u>2015</u> <u>\$</u>	<u>May 31,</u> <u>2015</u> <u>\$</u>
Net loss	(1,919)	(2,191)	(1,241)	(966)
Basic and diluted loss per share	(0.18)	(0.21)	(0.12)	(0.09)

The increase in net loss, net loss per share and non-IFRS operating loss in the fourth quarter of 2017 can partially be explained by the inclusion of the additional month in comparison to the comparative three-month quarterly financial data. The month of March 2017 explains an increase in the fourth quarter net loss of \$769 or (\$0.05) per share as well as an increase in non-IFRS operating loss of \$406. The variances in net loss from quarter to quarter are mainly due to the changes in fair value of the warrant liabilities, notably for the quarter ended May 31, 2015 with a gain of \$1,708, as well as variations in foreign exchange gains or losses, particularly for the quarter ended August 31, 2015 with a foreign exchange gain of \$890. The quarterly year-to-year non-IFRS operating loss variances are mainly attributable to fluctuations in research and development expenses from quarter-to-quarter as well as an increase in general and administrative expenses over the prior year in the last three quarters of fiscal 2017.

### **Liquidity and Capital Resources**

#### *Share capital structure*

Our authorized share capital consists of an unlimited number of Class A (which we refer to in this prospectus as our common shares), Class B, Class C, Class D and Class E shares, without par value. Our issued and outstanding fully paid shares, stock options, restricted shares units and warrants, were as follows as at September 30, 2017, March 31, 2017, February 28, 2017 and February 29, 2016:

	<u>September 30, 2017</u>	<u>March 31, 2017</u>	<u>February 28, 2017</u>	<u>February 29, 2016</u>
Class A shares, voting participating and without par value	14,735,937	14,702,556	10,712,038	10,644,440
Stock options granted and outstanding	2,402,188	1,424,788	454,151	429,625
Restricted share units granted and outstanding	—	—	—	—
2017 Public offering warrants exercisable at \$2.15, until February 21, 2022	1,965,259	1,965,259	—	—
Series 2017 BW Broker warrants exercisable at \$2.15, until February 21, 2018	234,992	234,992	—	—
Series 2017 unsecured convertible debentures conversion option contingent warrants exercisable at \$1.90, until February 21, 2020 <sup>(1)</sup>	1,052,630	1,052,630	—	—
Series 8 warrants exercisable at \$15 USD, until December 3, 2018 <sup>(2)</sup>	1,840,000	1,840,000	1,840,000	1,840,000
Series 9 warrants exercisable at \$13.30 until December 3, 2018	161,654	161,654	161,654	161,654
<b>Total fully diluted shares</b>	<b>22,392,660</b>	<b>21,381,879</b>	<b>13,167,843</b>	<b>13,075,719</b>

- (1) The debentures are convertible into common shares at a fixed price of \$1.90 per common share, except if we pay before the maturity all or any portion of the convertible debentures. If we pay all or any portion of the convertible debenture before maturity, then warrants become exercisable at \$1.90 per common share for the equivalent convertible debenture amount prepaid.
- (2) Total of 18,400,000 warrants. In order to obtain one common share, 10 warrants must be exercised for a total amount of US\$15.00.



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### *Sources of liquidity*

We are currently not generating any revenues and we have incurred significant operating losses and negative cash flows from operations since inception. To date, we have financed our operations through the public offering and private placement of common shares and convertible debt, the proceeds from research grants and research tax credits, and the exercises of warrants, rights, and options. To achieve the objectives of our business plan, we plan to raise the necessary funds through additional securities offerings and the establishment of strategic alliances as well as additional research grants and research tax credits. CaPre and any other product candidates developed by us will require approval from the FDA and equivalent regulatory organizations in other countries before their sale can be authorized. Our ability to ultimately achieve profitable operations is dependent on a number of factors outside of our control.

Our current assets of \$5,852 as at September 30, 2017 include cash and cash equivalents totaling \$5,329. Our liabilities total \$4,951 at September 30, 2017 and are comprised primarily of \$3,391 in amounts due to or accrued for creditors, \$1,509 for our unsecured convertible debentures and \$51 for derivative warrant liabilities. Our positive working capital balance has declined during the current fiscal year and is expected to continue to decline until we raise additional funds or find a strategic partner. Our current assets as of this date are projected to be significantly less than needed to support our current liabilities as of that date when combined with the projected level of our expenses for the next twelve months, including not only the preparation for, but the planned initiation of our Phase 3 program for CaPre. We believe that the net proceeds of this offering, together with our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements through September 2018. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Additional funds will also be needed for our expected expenses for our Phase 3 program for CaPre and other needed operations beyond the next twelve months. We are working towards development of strategic partner relationships and plan to raise additional funds in the near future, but there can be no assurance as to when or whether we will complete any financing or strategic collaborations. If we do not raise additional funds, or find one or more strategic partners we may not be able to realize our assets and discharge our liabilities in the normal course of our business. As a result, there exists a material uncertainty that casts substantial doubt about our ability to continue as a going concern and, therefore, realize our assets and discharge our liabilities in the normal course of business. We currently have no other arranged sources of financing.

### *Cash flows and financial condition*

#### *Comparison of the three and six-months periods ended September 30, 2017 and August 31, 2016*

##### *Summary*

As at September 30, 2017, cash and cash equivalents totaled \$5,329 with a use of cash totaling \$2,238 for the three-month period and a use of cash totaling \$4,443 for the six-month period ended September 30, 2017. This compares to \$2,893 in total cash and cash equivalents as at August 31, 2016 with a source of cash totaling \$1,502 for the three-month period and a use of cash totaling \$134 for the six-month period ended August 31, 2016.

##### *Operating activities*

During the three-month periods ended September 30, 2017 and August 31, 2016, our operating activities used cash of \$2,060 and \$912, respectively, and during the six-month periods ended September 30, 2017 and August 31, 2016, our operating activities used cash of \$3,706 and \$2,983, respectively, further modified by changes in working capital, excluding cash. The use of cash flows in operating activities for the three and six-month periods ended September 30, 2017 and August 31, 2016 when compared to the net losses for each period are mainly attributable to the change in non-cash operating items, further modified by changes in working capital, excluding cash.

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### ***Investing activities***

During the three-month period ended September 30, 2017, our investing activities used cash of \$76 compared to generating cash of \$2,400 for the three-month period ended August 31, 2016. Cash used by investing activities during the three-month period ended September 30, 2017 was due to the acquisition of equipment of \$90, partially offset by interest received of \$14. Cash generated by investing activities for the three-month period ended August 31, 2016 was mainly due to the maturity of short-term investments of \$3,834, partially offset by the reinvestment of short-term investments of \$903 and the acquisition of equipment totaling \$542.

During the six-month period ended September 30, 2017, our investing activities used cash of \$157 compared to generating cash of \$2,915 for the six-month period ended August 31, 2016. Cash used by investing activities during the six-month period ended September 30, 2017 was due to the acquisition of equipment totaling \$187, partially offset by interest received of \$30. Cash generated by investing activities for the six-month period ended August 31, 2016 was mainly due to the maturity of short-term investments of \$13,212, partially offset by a \$9,266 reinvestment in short-term investments and the acquisition of equipment totaling \$1,053.

### ***Financing activities***

During the three-month periods ended September 30, 2017 and August 31, 2016, we used nominal cash in financing activities.

During the six-month period ended September 30, 2017, our financing activities used cash of \$422 due primarily to the payment of public offering transaction costs of \$381 and the payment of private placement transaction costs of \$40 related to securities offerings completed in February 2017. During the six-month period ended August 31, 2016, our financing activities used \$15 to pay interest.

See “—Basis of Presentation” for additional discussion of our financial condition, including the need for additional funds and the material uncertainty that casts substantial doubt about our ability to continue as a going concern.

### ***Use of funds***

We have used and intend to continue to use the net proceeds from our February 2017 securities offerings to fund our manufacturing scale-up for CaPre and the clinical and regulatory preparations necessary to initiate our Phase 3 clinical program site activation for CaPre by the end of 2017, intellectual property expansion, business development activities, G&A expenses, and working capital. Based on our End-of-Phase 2 meeting with the FDA, which took place after the closing of our securities offerings in February 2017, we still expect that most of the more than \$1 million in incremental net proceeds raised over the minimum offering amount disclosed in the prospectus for our February 2017 public securities offering in Canada will be used for Phase 3 clinical program pre-site activation preparation based on the plan now being better defined after the FDA meeting, including our plan to conduct two Phase 3 studies of the same 26-week duration instead of the one study with a greater number of patients to be treated with CaPre.

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### **Financial position**

The following table details the significant changes to the statements of financial position as at September 30, 2017 compared to our most recent fiscal year end at March 31, 2017:

Accounts	Increase (Decrease)	Comments
Cash and cash equivalents	(4,443)	See cash flow statement
Receivable	37	Payments received
Prepaid expenses	(23)	Completion of research contracts
Equipment	(109)	Acquisition of equipment and amortization
Intangible asset	(1,161)	Amortization
Trade and other payables	1,197	Increased accruals and timing of payments
Payable to parent corporation	56	Timing of payments
Derivative warrant liabilities	(158)	Change in fair value
Unsecured convertible debentures	103	Accretion of interest

See the statement of changes in equity in our financial statements for the six-month period ended September 30, 2017 found elsewhere in this prospectus for details of changes to the equity accounts since March 31, 2017.

### **Derivative warrant liabilities**

As of September 30, 2017, \$51 included in liabilities represents the fair value of warrants issued as part of our previous securities offerings. The warrants issued in connection with the previous offerings are derivative liabilities (derivative warrant liabilities) for accounting purposes due to the currency of the exercise price (US\$) being different from our Canadian dollar functional currency. The warrant liabilities will be settled in common shares. The fair value of the warrants issued in connection with the previous offerings was determined to be \$0.58 per warrant upon issuance and \$0.03 per warrant as of September 30, 2017. The fair value of the warrants is revalued at each reporting date.

### **Comparisons of the one-month period ended March 31, 2017; thirteen-month period ended March 31, 2017; and fiscal years ended February 29, 2016 and February 28, 2015**

#### **Operating activities**

During the one-month period ended March 31, 2017, our operating activities used cash of \$746, as primarily explained in the non-IFRS operating loss section above. The use of cash flow in operating activities for the one-month period ended March 31, 2017 is mainly attributable to net loss, as explained in the Reconciliation of Net Loss to Non-IFRS Operating Loss section above, further modified by changes in working capital, excluding cash.

During the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015, our operating activities used cash of \$6,958, \$6,574 and \$7,198, respectively, as primarily explained in the Reconciliation of Net Loss to Non-IFRS Operating Loss section above. The use of cash flows in operating activities for the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015 when compared to the net losses for each period are mainly attributable to the change in non-cash operating items, as explained in the Reconciliation of Net Loss to Non-IFRS Operation Loss section above, offset by reductions in working capital, excluding cash.

#### **Investing activities**

During the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015, our investing activities generated cash of \$6,888, \$8,229 and \$7,627, respectively. The cash generated by investing activities during the thirteen-month period ended March 31, 2017 was mainly due to the maturity of

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short-term investments of \$22,030, offset by reinvestment in short-term investments totaling \$12,765 and the acquisition of equipment totaling \$2,527. The cash generated by investing activities during the year-ended February 29, 2016 was mainly due to the maturity of short-term investments of \$20,437, offset by the reinvestment in short-term investments totaling \$11,954 and acquisition of equipment of \$276. The cash generated by investing activities during the year-ended February 28, 2015 was mainly due to the maturity of short-term investments of \$22,150, offset by the reinvestment in short-term investments totaling \$14,478.

### ***Financing activities***

During the thirteen-month period ended March 31, 2017, our financing activities generated cash of \$6,864 and decreased from the three-month period ending February 28, 2017, as certain transaction costs associated with the financing activities were paid. The cash generated by financing activities during the thirteen-month period ended March 31, 2017 was mainly due to the net proceeds from our public offering in Canada in February 2017 of common shares and warrants of \$5,010 and net proceeds from our private placement in Canada in February 2017 of convertible debentures and contingent warrants of \$1,872.

Overall, our cash increased by \$6,745, \$1,716 and by \$635, for the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015, respectively. Cash and cash equivalents as at March 31, 2017 totaled \$9,772.

### ***Financial position***

The following table details the significant changes to our statements of financial position as at March 31, 2017 compared to February 29, 2016:

Accounts	Increase (Decrease)	Comments
Cash and cash equivalents	6,745	See cash flow statement
Short-term investments, including restricted investments	(9,443)	Maturity of short-term investments, decrease in investments
Receivable	(193)	Payments received
Prepaid expenses	(247)	Completion of research contracts
Equipment	2,594	Acquisition of laboratory and production equipment
Intangible asset	(2,517)	Amortization
Trade and other payables	1,000	Increase in expenses and research contracts
Payable to parent corporation	(3)	Payment made to parent company
Derivative warrant liabilities	53	Change in fair value
Unsecured convertible debentures	1,406	Debt issued in private placement transaction

See the statement of changes in equity in our financial statements for details of changes to the equity accounts from February 29, 2016.

### ***Derivative warrant liabilities***

As of March 31, 2017, the amount of \$209 included in liabilities represents the fair value of the warrants issued as part of our previous financings. The warrants forming part of the units issued in connection with our previous financings are derivative liabilities for accounting purposes due to the currency of the exercise price (US\$) being different from our Canadian dollar functional currency. The warrant liabilities will be settled in common shares. The fair value of the warrants issued in connection with our previous offerings was determined to be \$0.58 per warrant upon issuance and \$0.11 per warrant as of March 31, 2017. The fair value of the warrants is revalued at each reporting date.

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### **Contractual Obligations, Off-Balance-Sheet Arrangements and Commitments**

As at September 30, 2017, our liabilities total \$4,951, of which \$3,391 is due within twelve months, \$51 relates to a derivative warrant liability that will be settled in common shares and \$1,509 of outstanding unsecured convertible debentures. The principal amount of unsecured convertible debentures may be prepaid, in whole or in part, at any time and from time to time, in cash, in our sole discretion. The debentures are convertible into common shares at a fixed price of \$1.90 per common share, except if we pay before the maturity all or any portion of the convertible debentures.

A summary of our contractual obligations at September 30, 2017, is as follows:

	Carrying value	Total contractual cash flows	1 year or less	1 to 3 years
	\$	\$	\$	\$
Trade, other payables and due to parent corporation	3,391	3,391	3,391	—
Research and development contracts	2,786	2,786	2,786	—
Purchase obligation of equipment	283	283	283	—
General and Administrative contract	21	21	21	—
Unsecured convertible debentures	1,509	2,383	160	2,223
Total	7,990	8,864	6,641	2,223

We have no off-balance sheet arrangements.

#### ***Research and development agreements***

In the normal course of business, we have signed agreements with various suppliers for them to execute R&D projects and to produce certain tools and equipment. We have reserved certain rights relating to these projects.

We initiated R&D projects that are planned to be conducted over the next 12-month period. As at September 30, 2017, of these R&D agreements, an amount of \$1,608 is included in “Trade and other payables” and an amount of \$2,786 remains a future commitment.

We have also entered into a contract to purchase production equipment to be used in the manufacturing of the clinical and future commercial supply of CaPre. As at September 30, 2017, of this equipment, an amount of \$165 is included in “Trade and other payables” and an amount of \$283 remains a future commitment.

#### ***Contingencies***

Our former CEO is claiming the payment of approximately \$8.5 million and the issuance of equity instruments from the Neptune group (including Acasti). As management believes that these claims are not valid, no provision has been recognized. The Neptune group (including Acasti) has filed a claim to recover certain amounts from the former CEO. All outstanding share-based payments held by the former CEO were cancelled during our fiscal year ended February 28, 2015.

We are also involved in other matters arising in the ordinary course of our business. Since management believes these claims are not valid and it presently is not possible to determine the outcome of these matters, no provisions have been made in our financial statements for their ultimate resolution beyond the amounts incurred and recorded for such matters. The resolution of such matters could have an effect on our financial statements in the year that a determination is made. However, in management’s opinion, the final resolution of all such matters is not projected to have a material adverse effect on our financial position.

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### **Quantitative and Qualitative Disclosures about Market Risks**

#### ***Credit risk***

Credit risk is the risk of a loss if a customer or counterparty to a financial asset fails to meet its contractual obligations. We have credit risk relating to cash, cash equivalents and short-term investments, which we manage by dealing only with highly-rated Canadian financial institutions. The carrying amount of financial assets, as disclosed in the statements of financial position, represents our credit exposure at the reporting date.

#### ***Currency risk***

We are exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates. Foreign currency risk is limited to the portion of our business transactions denominated in currencies other than the Canadian dollar. Fluctuations related to foreign exchange rates could cause unforeseen fluctuations in our operating results. A portion of our expenses, mainly related to research contracts and purchase of production equipment, is incurred in US dollars and in Euros, for which no financial hedging is required. There is a financial risk related to the fluctuation in the value of the US dollar and the Euro in relation to the Canadian dollar. In order to minimize the financial risk related to the fluctuation in the value of the US dollar in relation to the Canadian dollar, funds continue to be invested as short-term investments in the US dollar. A significant portion of our cash and cash equivalents are denominated in US dollars, further exposing us to fluctuations in the value of the US dollar in relation to the Canadian dollar. See Note 19 of our audited annual financial statements found elsewhere in this prospectus.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. As at September 30, 2017, March 31, 2017, February 28, 2017 and February 29, 2016, our cash and cash equivalents and our short term investments were subject to fluctuations in short-term fixed interest rates.

Our capacity to reinvest the short-term amounts with equivalent return will be impacted by variations in short-term fixed interest rates available on the market. Management believes the risk we will realize a loss as a result of the decline in the fair value of its short-term investments is limited because these investments have short-term maturities and are generally held to maturity. Our capacity to reinvest the short-term amounts with equivalent return will be impacted by variations in short-term fixed interest rates available on the market. Management believes the risk we will realize a loss as a result of the decline in the fair value of our short-term investments is limited because these investments have short-term maturities and are generally held to maturity.

#### ***Liquidity risk***

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 22 to our annual financial statements found elsewhere in this prospectus. We also manage liquidity risk by continuously monitoring actual and projected cash flows. Our board of directors reviews and approves our operating budgets, and reviews material transactions outside the normal course of business. Our contractual obligations related to financial instruments and other obligations and liquidity resources are presented in “-Liquidity and Capital Resources”.

#### **Use of Estimates and Measurement of Uncertainty**

The preparation of the financial statements in conformity with IFRS requires our management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates are based on management’s best knowledge of current events and actions that we may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in

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the period in which the estimates are revised and in any future periods affected. Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include identification of triggering events indicating that the intangible assets might be impaired and the use of the going concern basis of preparation of the financial statements. At the end of each reporting period, management assesses the basis of preparation of the financial statements. The financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that we will continue our operations for the foreseeable future and can realize our assets and discharge our liabilities and commitments in the normal course of business. Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include determination of the recoverable amount of our cash generating unit, or CGU, and measurement of derivative warrant liabilities and stock-based compensation. Also, management uses judgment to determine which research and development, or R&D, expenses qualify for R&D tax credits and in what amounts. We recognize the tax credits once we have reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

### **Critical Accounting Policies**

#### ***Impairment of non-financial assets***

The carrying value of our license asset is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the CGU's recoverable amount is estimated. The identification of impairment indicators and the estimation of recoverable amounts require the use of judgment.

#### ***Derivative warrant liabilities***

The warrants forming part of the units issued in our public offering are derivative liabilities for accounting purposes due to the currency of the exercise price being different from our functional currency. The derivative warrant liabilities are required to be measured at fair value at each reporting date with changes in fair value recognized in earnings. We use Black-Scholes pricing model to determine the fair value. The model requires the assumption of future stock price volatility, which is estimated based on weighted average historic volatility. Changes to the expected volatility could cause significant variations in the estimated fair value of the derivative warrant liabilities.

#### ***Stock-based compensation***

We have a stock-based compensation plan, which is described in note 15 of our annual financial statements and elsewhere in this prospectus. We account for stock options granted to employees based on the fair value method, with fair value determined using the Black-Scholes model. The Black Scholes model requires certain assumptions such as future stock price volatility and expected life of the instrument. Expected volatility is estimated based on weighted average historic volatility. The expected life of the instrument is estimated based on historical experience and general holder behavior. Under the fair value method, compensation cost is measured at fair value at date of grant and is expensed over the award's vesting period with a corresponding increase in contributed surplus. For stock options granted to non-employees, we measure based on the fair value of services received, unless those are not reliably estimable, in which case we measure the fair value of the equity instruments granted. Compensation cost is measured when we obtain the goods or the counterparty renders the service.

#### ***Tax credits***

Refundable tax credits related to eligible expenses are accounted for as a reduction of related costs in the year during which the expenses are incurred as long as there is reasonable assurance of their realization.



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### ***Future accounting changes***

A number of new standards, interpretations and amendments to existing standards were issued by the IASB, or the IFRS Interpretations Committee, or IFRIC, that are mandatory but not yet effective for the thirteen-month and one-month periods March 31, 2017 and have not been applied in preparing our financial statements. The following standards have been issued by the IASB with effective dates in the future that have been determined by management to impact the financial statements:

### ***Financial instruments***

On July 24, 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which addresses the classification and measurement of financial assets and liabilities, impairment and hedge accounting, replacing IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. We intend to adopt IFRS 9 in our financial statements for the annual period beginning on April 1, 2018. We have not yet assessed the impact of adoption of IFRS 9, and do not intend to early-adopt IFRS 9 in our financial statements.

### ***Amendments to IFRS 2—Classification and Measurement of Share-Based Payment Transactions***

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-Based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. Earlier application is permitted. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early application is permitted if information is available without the use of hindsight. 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 of the transaction from cash-settled to equity-settled. We intend to adopt the amendments to IFRS 2 in our financial statements for the annual period beginning on April 1, 2018. We have not yet assessed the impact of adoption of the amendments of IFRS 2, and do not intend to early-adopt these amendments in our financial statements.

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**BOARD OF DIRECTORS AND MANAGEMENT**

**Directors and Senior Management**

The following table sets out the name and the province or state and country of residence of each of our directors and all offices with us held by them, their principal occupation and the year in which they became a director.

<u>Name, province or state and country of residence of each director</u>	<u>Principal occupation</u>	<u>First year as director</u>
Roderick N. Carter California, United States Chairman of the Board	Principal, Aquila Life Sciences LLC	2015
Jean-Marie (John) Canan Florida, United States	Corporate Director	2016
Janelle D'Alvise California, United States	President and CEO of Acasti	2016
Richard P. Schottenfeld New York, United States	Managing Partner & CEO of Schottenfeld Group, LLC	2017
Katherine Crewe Quebec, Canada	Chair, TEC Canada	2017

The business address for our directors and senior management is 545 Promenade du Centropolis, Suite 100, Laval, Québec, Canada H7T 0A3.

The following is a brief biography of our directors and senior management:

*Dr. Roderick N. Carter*

Dr. Carter has a strong history of contributions to healthcare through clinical, research, business and people leadership. He has significant experience developing and commercializing nutraceutical and pharmaceutical products and has successfully led clinical research and business development strategies for cardiovascular and inflammation related diseases. Dr. Carter is currently Principal at Aquila Life Sciences LLC, a consulting firm he founded in April 2008 focusing on pharmaceutical development and commercialization. Prior to this, he was Vice President of Clinical Development at Reliant Pharmaceuticals, which developed the OM3 cardiovascular drug LOVAZA, and today is a wholly-owned subsidiary of GlaxoSmithKline. He also served as Executive Director at Merck and Co., USA, President and Chief Executive Officer of WellGen and Senior Medical Director at Pfizer Inc., USA. Dr. Carter received his Medical Degree from the University of Witwatersrand, Johannesburg, along with a Master of Science degree in Sports Medicine from Trinity College, Dublin.

*Jean-Marie (John) Canan*

Mr. Canan is an accomplished business executive with over 34 years of strategic, business development and financial leadership experience. Mr. Canan recently retired from Merck & Co., Inc. where his last senior position was as Senior Vice-President, Global Controller, and Chief Accounting Officer for Merck from November 2009 to March 2014. He has managed all interactions with the audit committee of the Merck board of directors, while participating extensively with the main board and the compensation & benefits committee. Mr. Canan serves as a director of REV Group, a public company, where he chairs the audit committee. Mr. Canan also provides consulting services to Willow BioPharma, a Canadian start-up, engaged in the acquisition and development of legacy pharmaceutical assets. He also serves on the board of trustees of Angkor Hospital for Children, where he also chairs the audit & risk committee. Mr. Canan is a graduate of McGill University, Montreal, Canada, and is a Canadian Chartered Accountant.

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### *Janelle D'Alvise (also our CEO)*

Ms. D'Alvise has extensive experience the life science industry, having held executive positions in companies commercializing pharmaceuticals, diagnostics, medical devices, and drug discovery research tools. Prior to joining Acasti in mid-2016, Ms. D'Alvise was the President and Chairman of Pediatric Bioscience. Before that, she was the CEO of Gish Biomedical, a cardiopulmonary medical device company. Prior to Gish, Ms. D'Alvise was the CEO of the Sidney Kimmel Cancer Center (SKCC), a drug discovery research institute, the Co-Founder/President/CEO/Chairman of NuGEN, Inc., and the Co-Founder and Executive VP/COO of Metrika Inc. Ms. D'Alvise built NuGEN and Metrika from technology concept through to successful regulatory approvals, product introduction and sustainable revenue growth. Prior to her experience as an entrepreneur, Ms. D'Alvise held the positions of VP of Drug Development at Syntex/Roche and Business Unit Director of their Pain and Inflammation business, and VP of Commercial Operations at SYVA (Syntex's clinical diagnostics division). She began her career with Diagnostic Products Corporation where she ran global sales, marketing and service. Ms. D'Alvise has a B.S. in Biochemistry from Michigan Technological University. She has completed post-graduate work at the University of Michigan, Stanford University, and the Wharton Business Schools. Ms. D'Alvise has served on the board of numerous private companies and non-profits, and is an Entrepreneur-in-Residence for the von Liebig Institute for Entrepreneurship at the University of California, San Diego.

### *Richard P. Schottenfeld*

Mr. Schottenfeld is the founder and Chairman of Schottenfeld Group Holding, the parent company of Koyote Capital which is a proprietary trading firm in New York City, U.S.A. He has also served as the general partner of Schottenfeld Associates and the Schottenfeld Opportunity Fund. Mr. Schottenfeld currently also serves as a non-executive director of Neptune. Mr. Schottenfeld is a graduate of Franklin & Marshall College with degrees in both Economics and Government. Mr. Schottenfeld has been a frequent guest on CNBC and other business news programs.

### *Katherine Crewe, ICD.D*

Ms. Crewe has spent 30 years in the medical device and pharmaceutical manufacturing space for companies with sales and distribution networks spanning the globe. During her career, she held several executive positions in various operations and quality management positions, most recently as Managing Director, Canadian operations, at Mallinckrodt Pharmaceuticals. Ms. Crewe is currently Chair of TEC Canada, and currently also serves as a non-executive director of Neptune. Ms. Crewe holds a Master of Engineering (Biomedical) from McMaster University and a Bachelor of Science (Chemical Engineering) from Queen's University.

### *Linda P. O'Keefe—Chief Financial Officer (CFO) and Secretary*

Ms. O'Keefe has been our Chief Financial Officer since November 27, 2016 and our Secretary since August 30, 2017. She has worked with both public and private biotechnology, diagnostics, medical devices and healthcare services firms, and also in other private equity-financed markets, including business services, education and technology. Prior to joining us, Ms. O'Keefe consulted with various firms after serving as Chief Financial Officer and executive-in-residence for Gryphon Investors, a San Francisco-based private equity firm. At Gryphon Investors, she led fundraising, limited partner relations, risk management and advised portfolio company management teams on growth, financing and back office strategies. In addition, Ms. O'Keefe provided mergers & acquisitions and integration support, established and led audit committees, and supported the expansion of teams and systems to meet the needs of growing companies. Ms. O'Keefe also served as Chief Financial Officer of Delphi Ventures, a healthcare-focused venture capital firm, and Elevate Ventures; as Vice President of Finance at Genelabs Technologies and Target Therapeutics; and as Controller at Collagen Corporation. Ms. O'Keefe is an active Certified Public Accountant and Chartered Global Management Accountant in California and Indiana and was formerly an audit senior with Ernst & Young. She is a member of the American Institute of CPAs, the California and Indiana Societies of CPAs, Association for Corporate Growth, Financial Executives International, and Healthcare Financial Management Association. Ms. O'Keefe holds a Bachelor of Science in Business from the University of California, Berkeley.

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### *Dr. Pierre Lemieux—Chief Operating Officer (COO)*

Dr. Lemieux has been our Chief Operating Officer since April 12, 2010. Previously, Mr. Lemieux was CEO, Co-Founder and Chairman of BiolActis Inc. which he sold in 2009 to interests affiliated with the Nestlé multinational group. Mr. Lemieux joined Suprateck Pharma in 1999 as Director and Vice-President involved in the development of formulations for gene therapy on behalf of Rhone-Poulenc Rorer and Genzyme, which today are under the Sanofi banner. Prior to this, Mr. Lemieux was involved in the development of cardiovascular products at Angiotech Pharmaceuticals. Mr. Lemieux has a Ph.D. in biochemistry from Université Laval (Québec). He holds 16 patents and has authored over 50 publications. Mr. Lemieux's research was conducted at Université Laval as well as at the anti-cancer center Paul Papin D'Angers (France) and the University of Nottingham (England). His research focused on ovarian cancer and its treatment with monoclonal antibodies used to target cancer drugs. After completing his graduate studies, Mr. Lemieux joined the Oncology division of the Center for Health Research, University of Texas (U.S.). He obtained a postdoctoral fellowship from the Susan G. Komen Foundation (Breast Cancer). Mr. Lemieux has served on the boards of BioQuébec, Montreal in vivo and PharmaBio Development.

### *Mr. Laurent Harvey—Vice President, Clinical and Non-Clinical Affairs*

Mr. Harvey has more than 25 years' experience in the biopharmaceutical industry, primarily in drug development and clinical research. Before joining us, he occupied different management positions at Bristol-Myers Squibb, Aeterna-Zentaris, Innodia, Bellus Health and KLOX Technologies. During his career, he participated in many national and international clinical programs in various therapeutic fields such as cardiovascular, endocrinology, oncology and neurology. Mr. Harvey holds a Bachelor's degree in pharmacy and M.Sc. in hospital pharmacy, both from Université de Montréal.

### **GHR Committee**

The mandate of our governance & human resources, or GHR, committee consists of the evaluation of the proposed nominations of senior executives and director candidates to our board of directors, recommending for board approval, if appropriate, revisions of our corporate governance practices and procedures, developing new charters for any new committees established by the board of directors, monitoring relationships and communication between management and the board of directors, monitoring emerging best practices in corporate governance and oversight of governance matters and assessing the board of directors and its committees. The board of directors receives recommendations from the GHR committee, but retains responsibility for managing its own affairs by, among other things, giving its approval for the composition and size of the board of directors, and the selection of candidates nominated for election to the board of directors. The GHR committee initially evaluates candidates for nomination for election as directors, having regard to the background, employment and qualifications of possible candidates.

The GHR committee is also in charge of establishing the procedure which must be followed by us to comply with applicable guidelines of the TSXV and NASDAQ Stock Market regarding corporate governance. The board of directors does not have a nominating committee and has not adopted any formal written director term limit policy.

Compensation of our executive officers and directors is recommended to the board of directors by the GHR committee. In its review process, the GHR committee relies on input from management on the assessment of executives and corporate performance. As of the date of this prospectus, the GHR committee is composed of the following members, each of whom is independent within the meaning of NI 52-110 and NASDAQ Stock Exchange rules: Dr. Carter, acting as interim chairperson, Ms. Crewe and Mr. Canan. The GHR committee establishes management compensation policies and oversees their general implementation. All members of the GHR committee have direct experience which is relevant to their responsibilities as GHR committee members. All members are or have held senior executive or director roles within significant businesses, several also having

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public companies experience, and have a good financial understanding which allows them to assess the costs versus benefits of compensation plans. The members combined experience in our sector provides them with the understanding of our success factors and risks, which is very important when determining metrics for measuring success.

### ***Audit Committee***

Our audit committee is responsible for assisting the board of directors in fulfilling its oversight responsibilities with respect to financial reporting, including:

- reviewing our procedures for internal control and management performing financial functions;
- reviewing and approving the engagement of the auditor;
- reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including our annual information form and management's discussion and analysis;
- assessing our financial and accounting personnel;
- assessing our accounting policies;
- reviewing our risk management procedures; and
- reviewing any significant transactions outside our ordinary course of business and any pending litigation involving us.

The audit committee has direct communication channels with our management performing financial functions and our external auditor to discuss and review such issues as the audit committee may deem appropriate. As of August 15, 2017, the audit committee is composed of Mr. Canan, as chairperson, Dr. Carter and Mr. Schottenfeld. Each is "financially literate" and "independent" within the meaning of NI 52-110 and the Exchange Act. Our board of directors has determined that Mr. Canan is an "audit committee financial expert", as defined by applicable regulations of the U.S. Securities and Exchange Commission. The Commission has indicated that the designation of Mr. Canan as an audit committee financial expert does not make him an "expert" for any purpose, impose any duties, obligations or liability on Mr. Canan that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

### ***Code of Business Conduct and Ethics***

The board of directors adopted a Code of Business Conduct and Ethics, or Code of Conduct, for our directors, officers and employees on May 31, 2007, as amended from time to time. Our Code of Conduct can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on our web site on [www.acastipharma.com](http://www.acastipharma.com). A copy of the Code of Conduct can also be obtained by contacting our Corporate Secretary. Since its adoption by the board of directors, any breach of the Code of Conduct must be brought to the attention of the board of directors by our CEO or other senior executives. No report has ever been filed which pertains to any conduct of a director or executive officer that constitutes a breach to our Code of Conduct.

Since the adoption of the Code of Conduct and the following policies, the board of directors actively monitors compliance with the Code of Conduct and promotes a business environment where employees are encouraged to report malfeasance, irregularities and other concerns. The Code of Conduct provides for specific procedures for reporting non-compliant practices in a manner which, in the opinion of the board of directors, encourages and promotes a culture of ethical business conduct.

The board of directors also adopted a disclosure policy, insider trading policy, majority voting policy, management and board compensation policies, and a whistleblower policy.

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In addition, under the *Civil Code of Québec*, to which we are subject as a legal person incorporated under the *Business Corporations Act* (Québec) (L.R.Q., c. S-31), a director must immediately disclose to the board any situation that may place him or her in a conflict of interest. Any such declaration of interest is recorded in the minutes of proceeding of the board of directors. The director abstains, except if required, from the discussion and voting on the question. In addition, it is our policy that an interested director recuse himself or herself from the decision-making process pertaining to a contract or transaction in which he or she has an interest.

### ***Director Independence***

Our board of directors believes that, in order to maximize its effectiveness, the board must be able to operate independently. A majority of directors must satisfy the applicable tests of independence, such that the board of directors complies with all independence requirements under applicable corporate and securities laws and stock exchange requirements applicable to us. No director will be independent unless the board of directors has affirmatively determined that the director has no material relationship with us or any of our affiliates, either directly or indirectly or as a partner, shareholder or officer of an organization that has a relationship with us or our affiliates. Such determinations will be made on an annual basis and, if a director joins the board of directors between annual meetings, at such time.

The board of directors determined that Mr. Canan, Dr. Carter, Ms. Crewe and Mr. Schottenfeld are independent within the meaning of NI 52-110 and NASDAQ Stock Market rules.

The board of directors determined that Ms. D'Alvise is not independent within the meaning of NI 52-110 and NASDAQ given that she is our President and CEO.

### **Compensation**

#### *Summary of our Compensation Programs*

Our executive compensation program is intended to attract, motivate and retain high-performing senior executives, encourage and reward superior performance and align the executives' interests with ours by providing compensation which is competitive with the compensation received by executives employed by comparable companies and ensuring that the achievement of annual objectives is rewarded through the payment of bonuses and providing executives with long-term incentive through the grant of stock options.

Our GHR committee has authority to retain the services of independent compensation consultants to advise its members on executive compensation and related matters, and to determine the fees and the terms and conditions of the engagement of those consultants. During our fiscal year ended March 31, 2017, the GHR committee retained compensation consulting services, including those led by Lockton Companies, to review our executive compensation programs, including base salary, short-term and long-term incentives, total cash compensation levels and total direct compensation of certain senior positions, against those of peer groups of similar and larger size, as measured by market capitalization, biotechnology and pharmaceutical companies listed or headquartered in North America. All of the services provided by the consultants were provided to the GHR committee. The GHR committee assessed the independence of the consultants and concluded that its engagement of the consultants did not raise any conflict of interest with us or any of our directors or executive officers. As influenced by the consultants' fiscal period 2017 executive compensation review, the board and GHR committee set the following executive compensation program.

For executives, more than half of target direct compensation (base salary + target STIP awards + target LTIP awards) is considered "at risk". We believe this mix results in a strong pay-for-performance relationship and an alignment with shareholders and is competitive with other firms of comparable size in similar fields. The CEO (or any person acting in that capacity) makes recommendations to the GHR committee as to the compensation of our executive officers, other than himself or herself, for approval by the board. The GHR committee makes

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recommendations to the board of directors as to the compensation of the CEO, for approval. The CEO's salary is based on comparable market consideration and the GHR committee's assessment of his or her performance, with regard to our financial performance and progress in achieving strategic goals.

Risk management is a primary consideration of the GHR committee when implementing its compensation program. We do not believe that our compensation program results in unnecessary or inappropriate risk taking, including risks that are likely to have a material adverse effect on us. Payments of bonuses, if any, are not made unless performance goals are met.

Qualitative factors beyond the quantitative financial metrics are also a key consideration in determination of individual executive compensation payments. How executives achieve their financial results and demonstrate leadership consistent with our values are key to individual compensation decisions.

The following table sets forth the compensation information for the named executive officers during the thirteen months ended March 31, 2017, and the fiscal years ended February 29, 2016 and February 28, 2015.

<b>Name and principal position</b>	<b>Period ended</b>	<b>Salary (\$)</b>	<b>Share-based awards<sup>(1)</sup> (2) (\$)</b>	<b>Option-based awards<sup>(1)</sup> (2) (\$)</b>	<b>Annual incentive plans (\$)</b>	<b>All other compensation (\$)<sup>(3)</sup></b>	<b>Total compensation (\$)</b>
Janelle D'Alvise <sup>(4)</sup> CEO	March 31, 2017	365,072	—	502,163	136,049 <sup>(6)</sup>	—	1,003,284
Linda P. O'Keefe <sup>(5)</sup> CFO	March 31, 2017	114,183	—	237,340	39,897 <sup>(7)</sup>	109,414 <sup>(8)</sup>	500,834
Pierre Lemieux COO	March 31, 2017	275,819	—	96,522	49,000	—	421,341
	February 29, 2016	239,565	—	33,320	42,000	—	314,885
	February 28, 2015	202,115	—	22,163	12,000	—	236,278
Laurent Harvey Vice President, Clinical and Non-Clinical Affairs	March 31, 2017	194,846	—	84,205	35,000	—	314,051
	February 29, 2016	159,808	—	17,153	16,000	—	192,961
	February 28, 2015	107,977	—	7,388	8,000	—	123,365

- (1) We have adopted IFRS 2 Share-Based Payment to account for the issuance of stock options to employees and non-employees. The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of parameters, including share price, share exercise price, expected share price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside of our control.
- (2) The fair value of the option-based awards granted in the thirteen-month period ended March 31, 2017 is as follows: (i) the May 12, 2016 option-based awards are based on a fair value of \$0.96 per option granted to Ms. D'Alvise; (ii) the May 30, 2016 option-based awards are based on a fair value of \$1.18 per option granted to Dr. Lemieux and Mr. Harvey; (iii) the February 24, 2017 option-based awards are based on a fair value of \$1.19 per option granted to Ms. O'Keefe and Dr. Lemieux and Mr. Harvey. For the period ended on February 29, 2016, the fair market value of the June 1, 2015 option-based awards are based on a fair value of \$1.97 per option granted to Messrs. Harvey and Lemieux.



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For the period ended on February 28, 2015, the fair market value of the October 20, 2014 option-based awards granted to Dr. Lemieux is based on a fair value of \$3.00 per option, prior to our reverse share split.

- (3) The value of perquisites and other personal benefits received by these executives did not total an aggregate value of \$50,000 or more, and does not represent 10% or more of their total salary during the financial years ended March 31, 2017, February 29, 2016 and February 28, 2015.
- (4) Ms. D'Alvise was appointed our President and CEO on May 11, 2016 and began her functions on June 1, 2016. Her employment agreement provides for payments in U.S. dollars with an annual base salary of US\$330,000.
- (5) Ms. O'Keefe was appointed our CFO effective as of November 27, 2016. Her employment agreement provides for payments in U.S. dollars with an annual base salary of US\$250,000.
- (6) US\$102,300, converted as at March 31, 2017, based on a closing exchange rate of US1.00= \$1.3299.
- (7) US\$30,000 converted as at March 31, 2017, based on a closing exchange rate of US1.00= \$1.3299.
- (8) Consulting services from July 2016 to November 2016 which provided for payments in U.S. dollars: US\$82,273, converted as at March 31, 2017 based on a closing exchange rate of US1.00= \$1.3299.

### *Short Term Incentive Plan (STIP)*

Our Short-Term Incentive Plan, or STIP, provides for potential rewards when a threshold of corporate performance is met. Personal objectives that support corporate goals are established annually with each employee and are assessed at the end of each financial year. Personal objectives are assessed through a performance grid, with pre-specified, objective performance criteria. STIP awards are paid out in proportion to individual performance, determined in end-of-year performance reviews. For the most senior participants in the STIP, greater weight is assigned to corporate objectives. Target payout is expressed as a percentage of base salary and is determined by employment contracts and board discretion. Annual salary for STIP purposes is the annual salary in effect at the end of the plan year (i.e., prior to annual salary increases).

The actual amount awarded ranges from zero for performance well below expectation and is capped at two times target for exceptional performance. The STIP is a discretionary variable compensation plan and all STIP payments are subject to board approval. Participants must be employed by us at the end of the financial year to qualify. We reserve the right to modify or discontinue the STIP at any time.

Ms. D'Alvise, our CEO, is eligible for up to a 50% bonus of her annual base salary and Ms. O'Keefe, our CFO, is eligible for up to a 40% bonus of her annual base salary. Dr. Lemieux, our COO, is eligible for up to a 40% bonus of his annual base salary and Mr. Harvey, Vice President, Clinical and Non-Clinical Affairs, is eligible for up to a 30% bonus of his annual base salary.

These performance goals will take into account the achievement of R&D milestones within timelines and budget and individual objectives determined annually by the board according to short-term priorities.

### *Long Term Incentive Plan (LTIP)*

The LTIP has been adopted as a reward and retention mechanism. Participation is determined annually at the discretion of the board. Employees approved by our board of directors may participate in our stock option plan, which is designed to align the long-term interests of participants with those of shareholders, in order to promote shareholder value.

The GHR committee determines the number of stock options to be granted to a participant based on peer group data and taking into account corporate performance and level in the organization. The LTIP calculation is based on a guideline percentage of base salary and the number of options is determined based on an approved dollar value (rather than a specific number of shares). The guideline ranges from 15% to 200% and is subject to adjustment by the board in reviewing annual achievement of corporate performance and availability of shares.

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The GHR committee may also determine, in its sole discretion, ad hoc stock option awards to be granted to participants in order to address extraordinary situations. Awards at any level may be adjusted as necessary to maintain an equity burn rate and overhang similar to comparator companies. In addition to our stock option plan, the board is also empowered to grant ad hoc awards, from time to time, under our equity incentive plan to provide for a share-related mechanism to attract, retain and motivate qualified directors, senior employees and consultants.

Our directors and executive officers are not permitted to purchase financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the director or officer.

### *Stock Option Plan*

Our stock option plan was adopted by our board of directors on October 8, 2008 and has been amended from time to time, including most recently on June 14, 2017. The grant of options is part of the long-term incentive component of executive and director compensation and an essential part of compensation. Qualified directors, employees and consultants may participate in our stock option plan, which is designed to encourage optionees to link their interests with those of our shareholders, in order to promote an increase in shareholder value. Awards and the determination of any exercise price are made by our board of directors, after recommendation by the GHR committee. Awards are established, among other things, according to the role and responsibilities associated with the participant's position and his or her influence over appreciation in shareholder value. Any award grants a participant the right to purchase a certain number of common shares during a specified term in the future, after a vesting period and/or specific performance conditions, at an exercise price equal to at least 100% of the market price (as defined below) of our common shares on the grant date. The "market price" of common shares as of a particular date generally means the closing price per common share on the TSXV, or any other exchange on which the common shares are listed from time to time, for the last preceding date on which there was a sale of common shares on that exchange (subject to certain exceptions set forth in the stock option plan in the event that we are no longer traded on any stock exchange). Previous awards may sometimes be taken into account when new awards are considered.

In accordance with the stock option plan, all of an option holder's options will immediately vest on the date of a Change of Control event (as defined in the stock option plan), subject to the terms of any employment agreement or other contractual arrangement between the option holder and us.

However, in no case will the grant of options under the plan, together with any proposed or previously existing security based compensation arrangement, result in (in each case, as determined on the grant date): the grant to any one consultant within any 12-month period, of options reserving for issuance a number of common shares exceeding in the aggregate 2% of our issued and outstanding common shares (on a non-diluted basis); or the grant to any one employee, which provides investor relations services, within any 12-month period, of options reserving for issuance a number of common shares exceeding in the aggregate 2% of our issued and outstanding common shares (on a non-diluted basis).

Options granted under the stock option plan are non-transferable and are subject to a minimum vesting period of 18 months, with gradual and equal vesting on no less than a quarterly basis. They are exercisable, subject to vesting and/or performance conditions, at a price equal to the closing price of the common shares on the TSXV on the day prior to the grant of such options. In addition, and unless otherwise provided for in the agreement between us and the holder, options will also lapse upon termination of employment or the end of the business relationship with us except that they may be exercised for 60 days after termination or the end of the business relationship (30 days for investor relations services employees), to the extent that they will have vested on such date of termination of employment, except in the case of death, disability or retirement where this period is extended to 12 months.

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Subject to the approval of relevant regulatory authorities, including the TSXV, if applicable, and compliance with any conditions attached to that approval (including, in certain circumstances, approval by disinterested shareholders) if applicable, the board of directors has the right to amend or terminate the stock option plan. However, unless option holders consent to the amendment or termination of the stock option plan in writing, any such amendment or termination of the stock option plan cannot affect the conditions of options that have already been granted and that have not been exercised under the stock option plan.

Options for common shares representing a fixed rate of 20% of our outstanding issued common shares as of February 29, 2016 may be granted by the board under the stock option plan. As at the March 31, 2017, there were 657,619 common shares reserved for issuance under the stock option plan. As of March 31, 2017, there were 1,424,788 options outstanding under the stock option plan.

On June 14, 2017, we granted options to certain of our employees, executives and directors under our stock option plan to acquire an aggregate of 647,900 Common Shares at an exercise price of \$1.77 per share. The board of directors also amended our stock option plan in order to increase the current limit of shares reserved for issuance under the plan by 798,104 Common Shares to 2,940,511 Common Shares, and approved the grant of options to certain officers and directors to acquire an additional aggregate amount of 373,600 Common Shares at an exercise price of \$1.77 per share. At our last annual and special shareholders meeting held on August 15, 2017, disinterested shareholders approved a resolution to approve, ratify and confirm the previous grant of a total of 373,600 options to purchase our common shares to certain of our directors and officers. On August 31, 2017, we granted 100,000 options to the two newly elected directors at an exercise price of \$1.60 per share.

On June 14, 2017, the board approved amendments to the existing limits for common shares reserved for issuance under the stock option plan as described below, which were approved by the shareholders at our annual and special shareholders meeting held on August 15, 2017. Our shareholders also approved amendments to the equity incentive plan on August 15, 2017, to set the total number of common shares reserved for issuance pursuant to awards granted under the equity incentive plan to an aggregate number that:

- if, and for so long as the common shares are listed on the TSXV, will not exceed the lower of:
- 367,563 common shares, and
- 20% of the issued and outstanding common shares as of March 31, 2017, (equating to 2,940,511 common shares), which number will include common shares issuable pursuant to options issued under the amended stock option plan; or
- if, and for so long as the common shares are listed on the TSX, will not exceed 2.5% of the issued and outstanding common shares from time to time.

### *Equity Incentive Plan*

On May 22, 2013, our equity incentive plan was adopted by the board in order to, among other things, provide us with a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants. The adoption of the equity incentive plan was initially approved by shareholders at our 2013 Shareholders' meeting held on June 27, 2013.

Eligible persons may participate in the equity incentive plan. "Eligible persons" under the equity incentive plan consist of any director, officer, employee or consultant (as defined in the equity incentive plan) of us or a subsidiary. A participant is an eligible person to whom an award has been granted under the equity incentive plan. The equity incentive plan provides us with the option to grant to eligible persons bonus shares, restricted shares, restricted share units, performance share units, deferred share units and other share-based awards.

If, and for so long as our common shares are listed on the TSXV, no more than 2% of the issued and outstanding common shares may be granted to any one consultant or employee conducting investor relations activities in any 12-month period.

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The equity incentive plan is administered by the board and the board has sole and complete authority, in its discretion, to determine the type of awards under the equity incentive plan relating to the issuance of common shares (including any combination of bonus shares, restricted share units, performance share units, deferred share units, restricted shares or other share-based awards) in such amounts, to such persons and under such terms and conditions as the board may determine, in accordance with the provisions of the equity incentive plan and the recommendations made by the GHR committee.

Subject to the adjustment provisions provided for in the equity incentive plan and the applicable rules and regulations of all regulatory authorities to which we are subject (including any stock exchange), the total number of common shares reserved for issuance pursuant to awards granted under the equity incentive plan will be equal to a number that (A) if, and for so long as the common shares are listed on the TSXV, will not exceed either (i) 367,563 common shares, and (ii) 20% of the issued and outstanding common shares as of March 31, 2017, representing 2,940,511 common shares, which includes common shares issuable pursuant to options issued under our stock option plan.

On June 14, 2017, the board approved amendments to the existing limits of common shares reserved for issuance under the stock option plan as described above, which were approved by the shareholders at our annual and special shareholders meeting held on August 15, 2017.

The amendments to the amended stock option plan and amended equity incentive plan are subject to TSXV final approval.

### *Other Forms of Compensation*

*RRSP Matching Program.* Effective June 1, 2016, we sponsor a voluntary Registered Retirement Savings Plan, or RRSP, matching program, which is open to all eligible employees, including NEOs. The RRSP matching program matches employees' contributions up to a maximum of \$1,000 per fiscal year for eligible employees who participate in the program. Other than matching contributions under the RRSP matching program (which amounts are disclosed in the column entitled "All Other Compensation" in the summary compensation table below), we do not provide pension or retirement benefits to our executive officers or directors.

*Other Benefits and Perquisites.* Our executive employee benefit program also includes life, medical, dental and disability insurance. These benefits and perquisites are designed to be competitive overall with equivalent positions in comparable organizations. We do not have a pension plan for employees.

### **Compensation of Directors**

Our directors' compensation consists of an annual fixed compensation of US\$35,000. While our compensation structure does not include meeting fees, a discretionary reduction of 20% may be applied to the annual retainer payment each time a director fails to attend a quarterly board or committee session. In addition, the chairman of the board and each chairperson of the audit and the GHR committees received additional compensation of US\$25,000 and US\$10,000, respectively, for their additional work during the fiscal year ended March 31, 2017. The directors are also entitled to be reimbursed for travelling and other reasonable expenses properly incurred by them in attending meetings of the board or any committee or in otherwise serving us, in accordance with our policy on travel and expenses.

Following their first election to our board of directors, non-executive directors are eligible to receive an initial equity grant of up to 150% of their annual cash retainer worth of stock options vesting annually in equal installments over a 3-year period, subject to the other terms and conditions set forth under the heading "—Stock Option Plan". In addition to their initial grant, non-executive directors are eligible to receive an annual equity-based award equal to 100% of their total annual cash retainer vesting quarterly in equal installments over an

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18-month period. These awards will be granted at the same time that we are performing our annual performance review for our employees, subject to availability of common shares and subject to the terms and conditions described under the headings “–Stock Purchase Plan” and “–Equity Incentive Plan”. The level of these awards will be consistent with equivalent awards in comparable companies obtained from the benchmark exercise and in accordance with the recommendations obtained from our independent compensation consultant.

The total compensation for our non-executive directors during the thirteen-month period ended March 31, 2017 was as follows:

<u>Name</u>	<u>Fees earned</u> <u>(\$)</u>	<u>Option-based</u> <u>awards<sup>(1)(2)</sup></u> <u>(\$)</u>	<u>All other</u> <u>compensation</u> <u>(\$)<sup>(5)</sup></u>	<u>Total</u> <u>(\$)</u>
Roderick N. Carter	188,517 <sup>(3)</sup>	236,860	—	425,377
Jean-Marie (John) Canan	44,884 <sup>(4)</sup>	58,520	—	103,404
James S. Hamilton	—	—	—	—
Leendert H. Staal <sup>(6)</sup>	44,884 <sup>(4)</sup>	58,520	—	103,404
Pierre Fitzgibbon <sup>(6)</sup>	21,917	—	—	21,917

- (1) We have adopted IFRS 2 Share-Based Payment to account for the issuance of stock options to employees and non-employees. The fair value of the awards is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of parameters, including share price, share exercise price, expected share price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management’s best estimates, they involve inherent uncertainties based on market conditions generally outside of our control.
- (2) For the thirteen-month period ended on March 31, 2017, (i) the fair market value of the May 30, 2016 option-based awards is based on a fair value of \$1.18 per option granted to Dr. Carter; and (ii) the fair market value of the February 24, 2017 option-based awards is based on a fair value of \$1.17 per option granted to Mr. Canan and Dr. Staal.
- (3) Dr. Carter was appointed Executive Chairman of the board on March 1, 2016 and earned compensation of US\$98,980 for this role through June 30, 2016. After that date and Ms. D’Alvise’s appointment as CEO on June 1, 2016, Dr. Carter earned compensation of US\$45,000 for being Chairman of the board through March 31, 2017.
- (4) Mr. Canan and Dr. Staal earned a director compensation of US\$33,750, based on a closing exchange rate of US\$1.00 = \$1.3299 as of March 31, 2017, and were appointed to the board of directors in July 2016.
- (5) The directors do not receive pension benefits or other non-equity based annual compensation.
- (6) After the resignation of certain directors on February 29, 2016, Mr. Fitzgibbon, Chairman of the board of directors of Neptune, joined until July 12, 2016 as member of our board of directors and Chair of the audit and GHR committees to help insure a proper transition between the departing directors and the election of the new nominees at our 2016 annual general shareholders meeting.

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***Outstanding Share-Based and Option-Based Awards for Directors***

The following table provides information about the number and value of the outstanding share-based and option-based awards held by non-executive directors as of March 31, 2017. There were no share-based awards outstanding as of the date of this prospectus.

Name / grant date	Number of securities underlying unexercised options	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>
Roderick N. Carter				
May 30, 2016	200,000	1.99	May 29, 2023	—
August 19, 2015	10,000 <sup>(1)</sup>	4.80	August 19, 2022	—
Jean-Marie (John) Canan				
February 24, 2017	50,000	1.65	February 24, 2027	—
Leendert H. Staal				
February 24, 2017	50,000	1.65	February 24, 2027	—

- (1) Option-based awards were consolidated following our share consolidation. The exercise price was increased proportionally to reflect the consolidation.
- (2) Calculation is based on a trading price of \$1.83 for our common shares on the TSXV, as at closing on March 31, 2017.

None of our share-based and stock options held by non-executive directors that vested during our fiscal year ended on March 31, 2017 were in-the-money at their respective vesting date.

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### PRINCIPAL SHAREHOLDERS

The following table and accompanying footnotes sets forth, as of December 13, 2017, information regarding beneficial ownership of our common shares by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common shares;
- each of our executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options and warrants that are currently exercisable or exercisable within 60 days of December 13, 2017. Common shares subject to options and warrants currently exercisable or exercisable within 60 days of December 13, 2017 are deemed to be outstanding for computing the percentage ownership of the person holding these options and/or warrants and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all common shares shown that they beneficially own, subject to community property laws where applicable. The table is based upon information supplied by officers, directors and principal stockholders and Schedule 13Gs filed with the SEC.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o 545 Promenade du Centropolis, Suite 100, Laval, Québec, Canada H7T 0A3.

<b>Name of beneficial owner</b>	<b>Number of shares beneficially owned</b>	<b>Percentage of shares beneficially owned before offering</b>	<b>Percentage of shares beneficially owned after offering<sup>(1)</sup></b>
<b>5% or greater shareholders</b>			
Neptune Technologies & Bioresources Inc.	5,064,694	34.0%	
George W. Haywood <sup>(2)</sup>	1,479,000	9.9%	
<b>Executive officers and directors</b>			
Roderick N. Carter	0	*	*
Jean-Marie (John) Canan	57,499	*	*
Katherine Crewe	0	*	*
Richard Schottenfeld	50,000	*	*
Janelle D'Alvise	52,500	*	*
Linda P. O'Keefe	30,000	*	*
Pierre Lemieux	7,000	*	*
Laurent Harvey	1	*	*
All executive officers and directors as a group (8 persons)	197,000	*	*

(1) The percentage of common shares beneficially owned after the offering is based on the number of shares outstanding prior to the offering plus the common shares that we are selling in this offering.

(2) Based on information set forth in a Schedule 13G filed with the SEC on March 22, 2017 by George Haywood. The address of Mr. Haywood is c/o Moomjian, Waite & Coleman, LLP, 100 Jericho Quadrangle, Suite 208, Jericho, New York 11753.



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Our calculation of the percentage of beneficial ownership prior to this offering is based on 14,914,658 common shares issued and outstanding as of December 13, 2017. Beneficial ownership representing less than 1% is denoted with an asterisk (\*).

Neptune also owns a warrant entitling it to acquire 592,500 common shares (in order to obtain 1 common share, 10 warrants must be exercised). Our 5% or greater shareholders do not have different voting rights than other holders of our common shares. To the best of our knowledge, there are no other beneficial owners of 5% or more of any class of our voting securities.

## RELATED PARTY TRANSACTIONS

### *R&D*

We are charged by Neptune for the purchase of research supplies and for certain costs incurred by Neptune for our benefit. In the three-month period ended September 30, 2017, we were charged \$8,000 for R&D expenses and \$93,000 for G&A expenses (for the three-month period ended August 31, 2016, we were charged \$9,000 and \$132,000, respectively). In the six-month period ended September 30, 2017, we were charged \$26,000 for R&D expenses and \$196,000 for G&A expenses (for the six-month period ended August 31, 2016, we were charged \$9,000 and \$258,000, respectively).

In the fiscal year ended March 31, 2017, we were charged \$60,000 for R&D expenses and \$618,000 for G&A expenses. In the fiscal year ended February 29, 2016, we were charged \$371,000 and \$790,000, respectively. In the fiscal year ended February 28, 2015, we were charged \$344,000 and \$876,000, respectively.

Where Neptune incurs specific incremental costs for our benefit, it charges those amounts to us directly. Costs that benefit more than one entity of the Neptune group are charged by allocating a fraction of costs incurred by Neptune that is commensurate to the estimated fraction of services or benefits received by each entity for those items. During the three and six-month period ended September 30, 2017, we recognized an expense of \$56,000 and \$109,000, respectively, in G&A expenses and nil and \$6,000, respectively, in R&D expenses relative to the incremental costs (for the three and six-month period ended August 31, 2016—\$57,000 and \$108,000, respectively, in G&A expenses and nil and nil, respectively, in R&D expenses). We purchased from Neptune R&D supplies totaling \$113,000, of which \$73,000 as of March 31, 2017, which is recorded in prepaid expenses and will be expensed as used.

### *Services Agreement*

Neptune provides us with the services of personnel for its administrative, legal and laboratory work as part of a shared service agreement. The employees' salaries and benefits are charged proportionally to the time allocation agreed upon. In the three and six-month period ended September 30, 2017, we recognized an expense of \$37,000 and \$87,000, respectively, in G&A expenses and \$8,000 and \$20,000, respectively, in R&D expenses under the shared service agreement (for the three and six-month periods ended August 31, 2016—\$75,000 and \$150,000, respectively in G&A expenses, and \$9,000 and \$9,000, respectively, in R&D expenses).

During the three-month period ended September 30, 2017, the laboratory support, the corporate affairs and the public company reporting services previously provided by Neptune as part of the shared service agreement were discontinued. We are now incurring some incremental costs, and expect to do so in the future, for providing these services directly or through qualified third parties, partially offset by reduced shared service fees. The payable to Neptune primarily for G&A shared services has no specified maturity date for payment or reimbursement and does not bear interest.

### *Supply of Raw Materials*

In the past, Neptune provided us with the krill oil we needed to produce CaPre for our clinical programs. In light of Neptune's recent announcement of its plan to discontinue krill oil production and the sale of its krill oil inventory to Aker, we are evaluating alternative suppliers of krill oil. We believe that alternative supplies of krill oil that can meet our specifications will be readily available.

### *License Agreement*

Under our license agreement with Neptune, we have an exclusive license to use Neptune's intellectual property portfolio related to cardiovascular pharmaceutical applications. The license agreement allows us to develop and

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commercialize CaPre and our novel and active APIs for the prescription drug and medical food markets. Under applicable patent laws, the patents that we have licensed from Neptune under the license agreement are considered prior art to our patents. We entered into the license agreement with Neptune in order to allow us to develop and commercialize CaPre until these Neptune patents expire. As a result of a royalty prepayment transaction we entered into with Neptune on December 4, 2012, we are no longer required to pay any royalties to Neptune under the license agreement during its term for the use of the licensed intellectual property.

### *Pledge Agreement*

On January 7, 2016 Neptune announced the acquisition of Biodroga Nutraceuticals Inc. As part of this transaction, under a pledge agreement, we pledged \$2 million of committed funds to partly guarantee the financing for the transaction. Neptune agreed to pay us an annual fee on the committed funds outstanding at an annual rate of 9% during the first six months and 11% for the remaining term of the pledge agreement. On September 20, 2016, Neptune fully released the pledged amount. We recognized interest revenue in the amount of nil for the three and six-month period ended September 30, 2017 and \$38,000 and \$83,000, respectively, for the three and six-month period ended August 31, 2016.

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**PRICE RANGE OF COMMON SHARES AND TRADING MARKETS**

**Price History**

Since March 31, 2011, our common shares have been listed on the TSXV under the ticker symbol APO. Since January 7, 2013, our common shares have been listed on the NASDAQ Stock Market under the ticker symbol ACST. The following tables set forth, for the periods indicated, the high and low market prices of our common shares as reported on the TSXV and the NASDAQ Stock Market.

(a) For the five most recent full fiscal years:

Fiscal year ended	TSXV		NASDAQ Stock Market	
	High \$	Low \$	High US\$	Low US\$
Feb. 28, 2013 <sup>(1)</sup>	27.60	16.00	39.90	20.00
Feb. 28, 2014 <sup>(1)</sup>	43.20	11.50	42.00	10.90
Feb. 28, 2015 <sup>(1)</sup>	14.90	11.50	13.40	10.90
Feb. 29, 2016	7.60	1.83	6.10	1.30
Mar. 31, 2017	4.03	1.47	3.09	1.11

(1) Our common shares were consolidated on October 15, 2015, on the basis of one (1) post-consolidation common share for every 10 pre-consolidation common shares, and each fractional common share resulting from the consolidation was rounded up. The common share price was increased proportionally to reflect the consolidation.

(b) For each full financial quarter of the two most recent full fiscal years and any subsequent period:

Period	TSXV		NASDAQ Stock Market	
	High \$	Low \$	High US\$	Low US\$
1st Quarter ended May 31, 2015 <sup>(1)</sup>	7.60	4.00	6.10	5.00
2nd Quarter ended Aug. 31, 2015 <sup>(1)</sup>	5.50	3.50	4.20	3.90
3rd Quarter ended Nov. 30, 2015 <sup>(1)</sup>	4.70	2.65	3.80	2.01
4th Quarter ended Feb. 29, 2016	4.40	1.83	3.20	1.30
1st Quarter ended May 31, 2016	2.45	1.50	1.88	1.20
2nd Quarter ended Aug. 31, 2016	2.25	1.66	1.79	1.21
3rd Quarter ended Nov. 30, 2016	4.03	1.62	3.09	1.20
Four-month period ended Mar. 31, 2017	2.66	1.47	2.03	1.11
1st Quarter ended June 30, 2017	1.96	1.65	1.51	1.23
2nd Quarter ended September 30, 2017	1.97	1.57	1.45	1.24

(1) Our common shares were consolidated on October 15, 2015, on the basis of one (1) post-consolidation common share for every 10 pre-consolidation common shares, and each fractional common share resulting from the consolidation was rounded up. The common share price was increased proportionally to reflect the consolidation.

(c) For the most recent six months:

Period	TSXV		NASDAQ Stock Market	
	High \$	Low \$	High US\$	Low US\$
June 2017	1.96	1.66	1.51	1.24
July 2017	1.74	1.60	1.45	1.26
August 2017	1.75	1.60	1.40	1.24
September 2017	1.97	1.57	1.45	1.27
October 2017	1.77	1.61	1.42	1.28
November 2017	2.99	1.57	3.36	1.21

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The holders of common shares are entitled to vote at all meetings of our shareholders except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of common shares are entitled to receive dividends as and when declared by the board, if any.

No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds. Our common shares must be issued as fully-paid and non-assessable, and are not subject to further capital calls by us. All of the common shares rank equally as to voting rights, participation in a distribution of our assets on a liquidation, dissolution or winding-up, and the entitlement to dividends. Common shares are transferable at the offices of our transfer agent and registrar, Computershare Trust Company of Canada, in Toronto, Ontario, Canada and Montreal, Québec, Canada. There are no restrictions in our corporate documents on the free transferability of the common shares.

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**UNDERWRITING**

The Benchmark Company, LLC is acting as book-running manager of this offering and as representative of the underwriters named below. We have entered into an underwriting agreement with the underwriters with respect to the common shares and warrants being offered. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of common shares and warrants listed next to its name in the following table:

<u>Name</u>	<u>Number of common shares</u>	<u>Number of warrants</u>
The Benchmark Company, LLC		
Dawson James Securities, Inc.		
<b>Total</b>	<b><u>6,775,000</u></b>	<b><u>6,079,500</u></b>

The underwriters are committed to purchase all the common shares and warrants offered by us if they purchase any such securities. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the common shares and warrants directly to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at that price per share and accompanying warrant less a concession not in excess of US\$ per share and accompanying warrant.

We have granted the underwriters an option to buy from us up to an additional 750,556 common shares and/or warrants to purchase up to an aggregate of 675,500 common shares at an exercise price per share (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective, in any combination thereof to cover over-allotments. The underwriters have 30 days from the date of this prospectus to exercise this option to purchase additional common shares and warrants. If any additional common shares are purchased, the underwriters will offer the additional common shares on the same terms as those on which the common shares are being offered.

The underwriting fee is equal to the public offering price per share and accompanying warrant less the amount paid by the underwriters to us per share and accompanying warrant. The underwriting fee is US\$ per common share and accompanying warrant. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares and warrants.

	<u>No exercise of option</u>	<u>Full exercise of option</u>
Per share and warrant	<u>US\$</u>	<u>US\$</u>
<b>Total</b>	<b><u>US\$</u></b>	<b><u>US\$</u></b>

We have also agreed to reimburse the underwriters for their expenses in connection with this offering, up to US\$125,000. We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately US\$687,000.

We have also agreed to issue to the underwriters' a warrant to purchase a number of our common shares equal to an aggregate of 5% of the common shares sold in this offering. The underwriters' warrant will have an exercise price equal to 125% of the public offering price of the shares set forth on the cover of this prospectus (or US\$ per share) and may be exercised on a cashless basis. The underwriters' warrant is not redeemable by us. The underwriters' warrants provide for "piggy-back" registration rights for a period of five years. The underwriters' warrant and the underlying common shares have been deemed compensation by FINRA, and are therefore subject to FINRA Rule 5110(g)(1). In accordance with FINRA Rule 5110(g)(1), neither the

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underwriters' warrant nor any common shares issued upon exercise of the underwriters' warrant may be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of such securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the offering pursuant to which the underwriters' warrant is being issued, except the transfer of any security: (i) by operation of law or by reason of reorganization of our company; (ii) to any FINRA member firm participating in this offering and the officers or partners thereof, if all securities so transferred remain subject to the lock-up restriction described above for the remainder of the time period; (iii) if the aggregate amount of our securities held by either an underwriter or a related person do not exceed 1% of the securities being offered; (iv) that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund; or (v) the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction set forth above for the remainder of the time period. In addition, in accordance with FINRA Rule 5110(f)(2)(G), the underwriters' warrant may not contain certain anti-dilution terms.

We, our officers and directors and certain of our shareholders have agreed to a six-month "lock up" with respect to our common shares and other of our securities beneficially owned, including securities that are convertible into, or exchangeable or exercisable for, common shares. This means that, subject to certain exceptions, for a period of six months following the date of this prospectus, we and such persons may not offer, sell, pledge or otherwise dispose of any such securities without the prior written consent of the underwriters.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling common shares in the open market for the purpose of preventing or retarding a decline in the market price of the common shares while this offering is in progress. These stabilizing transactions may include making short sales of the common shares, which involves the sale by the underwriters of a greater number of common shares than they are required to purchase in this offering, and purchasing common shares on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' option to purchase additional shares referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional shares, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

These activities may have the effect of raising or maintaining the market price of the common shares or preventing or retarding a decline in the market price of the common shares, and, as a result, the price of the common shares may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NASDAQ Stock Market, in the over-the-counter market or otherwise.

In addition, in connection with this offering certain of the underwriters (and selling group members) may engage in passive market making transactions in our common shares on the NASDAQ Stock Market prior to the pricing and completion of this offering. Passive market making consists of displaying bids on the NASDAQ Stock Market no higher than the bid prices of independent market makers and making purchases at prices no higher



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than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are generally limited to a specified percentage of the passive market maker's average daily trading volume in the common shares during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of our common shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If passive market making is commenced, it may be discontinued at any time.

The underwriters or their affiliates may engage in transactions with, and may perform, from time to time, investment banking and advisory services for us in the ordinary course of their business and for which they would receive customary fees and expenses. However, except as disclosed in this prospectus, we have no present arrangements with any of the underwriters for any further services.

### **International Selling Restrictions**

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

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**EXPENSES RELATING TO THIS OFFERING**

The following table sets forth the estimated costs and expenses, other than underwriting discounts and commissions, payable by us in connection with this offering.

SEC registration fee	US\$ 4,700
Printing expenses	US\$ 25,000
Accounting fees and expenses	US\$125,000
Legal fees and expenses	US\$530,000
Financial Industry Regulatory Authority, Inc. filing fee	US\$ 3,000
<b>Total</b>	<b><u>US\$687,700</u></b>

## DESCRIPTION OF SHARE CAPITAL

### Overview

Our authorized capital consists of an unlimited number of no par value common shares and an unlimited number of no par value Class B, Class C, Class D and Class E preferred shares (collectively, the preferred shares), issuable in one or more series. As of December 13, 2017, there were:

- a total of 14,914,658 common shares issued and outstanding and no preferred shares issued and outstanding;
- 2,395,788 options to purchase common shares issued to our directors, officers and employees, at a weighted average exercise price of \$1.82 per common share;
- 18,400,000 Series 8 public offering warrants issued in 2014 to purchase common shares issued and outstanding (including 592,500 warrants held by Neptune), exercisable at a price of US\$15.00 per common share until December 3, 2018 (10 warrants must be exercised in order to acquire one common share);
- 161,654 Series 9 private placement warrants issued in 2014 to purchase common shares issued and outstanding, exercisable at a price of \$13.30 per common share until December 3, 2018;
- \$2,000,000 aggregate principal amount of unsecured convertible debentures, maturing on February 21, 2020, issued in our February 2017 private placement and contingent warrants to acquire up to 1,052,630 common shares:
  - the debentures are convertible into common shares at any time by the holder at a fixed price of \$1.90 per common share, except if we pay before the maturity all or any portion of the convertible debentures;
  - the contingent warrants will be exercisable for the remaining term of the convertible debentures at a fixed price of \$1.90 per common share;
- warrants issued in connection with our February 2017 public offering to purchase up to 1,904,034 common shares at an exercise price of \$2.15 per common share, at any time until February 21, 2022; and
- broker warrants issued in connection with our February 2017 public offering to purchase up to 117,496 common shares at an exercise price of \$2.15 per common share, at any time until February 21, 2018.

The following is a brief description of the rights, privileges, conditions and restrictions attaching to the common shares and preferred shares.

### *Common Shares*

#### Voting Rights

Each common share entitles its holder to receive notice of, and to attend and vote at, all annual or special meetings of our shareholders. Each common share entitles its holder to one vote at any meeting of our shareholders, other than meetings at which only the holders of a particular class or series of shares are entitled to vote due to statutory provisions or the specific attributes of this class or series.

#### Dividends

Subject to the prior rights of the holders of preferred shares ranking before the common shares as to dividends, the holders of common shares are entitled to receive dividends as declared by the board our funds that are available for the payment of dividends.

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### **Winding-up and Dissolution**

In the event of our voluntary or involuntary winding-up or dissolution, or any other distribution of our assets among our shareholders for the purposes of winding up its affairs, the holders of common shares shall be entitled to receive, after payment by us to the holders of preferred shares ranking prior to common shares regarding the distribution of our assets in the case of winding-up or dissolution, share for share, the remainder of our property, with neither preference nor distinction. The order of priority, applicable to all classes of our shares with respect to the redemption, liquidation, dissolution or distribution of property (the order of priority) is as follows: First, the Class E non-voting shares; Second, the Class D non-voting shares; Third, the Class B multiple voting shares and Class C non-voting shares, *pari passu*; and Fourth, the common shares. Notwithstanding the order of priority, shareholders of a class of shares may renounce the order of priority by unanimous approval by all shareholders of that class of shares.

### **Preferred Shares**

#### **Class B Multiple Voting Shares**

Each Class B multiple voting share entitles the holder thereof to 10 votes per share in all of our shareholder meetings.

*Dividends.* Holders of Class B multiple voting shares are entitled to receive, as and when such dividends are declared, an annual non-cumulative dividend of 5% on the amount paid for the said shares, payable at the time and in the manner which the directors may determine and subject to the order of priority.

*Participation.* Subject to the provisions of subsection 5.2.2 of our Articles, holders of Class B multiple voting shares do not have the right to participate in our profits or surplus assets.

*Conversion.* Holders of Class B multiple voting shares have the right, at their entire discretion, to convert, part or all of the Class B multiple voting shares they hold into common shares on the basis of 1 common share for each Class B multiple voting share converted.

*Redemption.* Subject to the provisions of the QBCA and the order of priority, holders of Class B multiple voting shares have the right to demand from us, upon 30 days' written notice, that we redeem the Class B multiple voting shares at a price equivalent to the amount paid for such shares plus the redemption premium, as defined in subsection 5.2.4.1 of the Articles, and any and all declared but yet unpaid dividends on same.

*Liquidation.* In the event of our dissolution or liquidation or any other distribution of our property, the Class B voting shareholders have the right to be reimbursed for the amount paid for their Class B multiple voting shares plus the redemption premium, as defined in subsection 5.2.4.1 of our Articles as well as the amount of any and all declared but yet unpaid dividends on their shares, subject to the order of priority.

#### **Class C Non-Voting Shares**

Subject to the provisions of the QBCA, holders of Class C non-voting shares are neither entitled to vote at any meeting of our shareholders, receive a notice of any such meeting, nor attend any such meeting.

*Dividends.* Holders of Class C non-voting shares are entitled to receive, as and when such dividends are declared, an annual non-cumulative dividend of 5% on the amount paid for the said shares, plus a redemption premium as defined in subsection 5.3.6.1 of our Articles, payable at the time and in the manner which the directors may determine and subject to the order of priority.

*Participation.* Subject to the provisions of subsection 5.3.2 of our Articles, holders of Class C non-voting shares do not have the right to participate in our profits or surplus assets.

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*Conversion.* Holders of Class C non-voting shares have the right, at their entire discretion, to convert, part or all of the Class C non-voting shares they hold into common shares on the basis of 1 common share for each Class C non-voting share converted.

*Forced Conversion.* All of our Class C non-voting shares shall automatically be converted in common shares upon the request of an unrelated third-party investor in us investing more than \$500,000, or any other amount to be determined by the board of directors in us and requesting as a condition to the investment that the Class C non-voting shares be converted into common shares on the basis of 1 common share for each Class C non-voting share converted.

*Redemption.* Subject to the provisions of the QBCA and the order of priority, holders of Class C non-voting shares have the right to demand, upon 30 days' written notice, that we redeem their Class C non-voting shares at a price equivalent to the amount paid for the shares plus the redemption premium, as defined in subsection 5.3.6.1 of our Articles, and any and all declared but yet unpaid dividends on the shares.

*Liquidation.* In the event of our dissolution or liquidation or any other distribution of our property, Class C non-voting shareholders have the right to be reimbursed for the amount paid for their Class C non-voting shares plus the redemption premium, as defined in subsection 5.3.6.1 of our Articles, as well as the amount of any and all declared but yet unpaid dividends on their shares, subject to the order of priority.

### **Class D Non-Voting Shares**

Subject to the provisions of the QBCA, holders of Class D non-voting shares are neither entitled to vote at any meeting of the shareholders, receive a notice of any such meeting, nor attend any such meeting.

*Dividends.* Holders of Class D non-voting shares are entitled to receive, as and when such dividends are declared, a monthly non-cumulative dividend of 0.5% to 2% on the amount paid for the shares, plus a redemption premium as defined in subsection 5.4.6.1 of our Articles, payable at the time and in the manner which the directors may determine and subject to the order of priority.

*Participation.* Subject to the provisions of subsection 5.4.2 of our Articles, holders of Class D non-voting shares do not have the right to participate in our profits or surplus assets.

*Conversion.* Holders of Class D non-voting shares have the right, at their discretion, to convert, part or all of their Class D non-voting shares into common shares on the basis of a number of common shares equal to the number of Class D non-voting shares converted multiplied by a conversion ratio, calculated as follows:

$$\text{Conversion Ratio} = \frac{\text{The product obtained by multiplying a factor to be agreed at the time of the issuance of the Class D non-voting shares by the average amount paid per share for the Class D non-voting shares plus the redemption premium per share, as defined in subsection 5.4.6.1 of our Articles as well as the amount of any and all declared but yet paid dividends on the shares}}{\text{Fair market value of the common shares at the date of any conversion of Class D non-voting shares into common shares}}$$

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*Conversion* All of our Class C non-voting shares automatically convert into common shares upon the request of an unrelated third party investor in us, investing more than \$500,000, or any other amount to be determined by the board of directors, in us and requesting as a condition to the investment that the Class C non-voting shares be converted into common shares in all cases, on the basis of a number of common shares equal to the number of Class D non-voting shares converted multiplied by the conversion ratio, calculated as follows:

$$\text{Conversion Ratio} = \frac{\text{The product obtained by multiplying a factor to be agreed at the time of the issuance of the Class D non-voting shares by the average amount paid per share for the Class D non-voting shares plus the redemption premium per share, as defined in subsection 5.4.6.1 of our Articles as well as the amount of any and all declared but yet paid dividends on the shares}}{\text{Fair market value of the common shares at the date of any conversion of Class D non-voting shares into common shares}}$$

*Redemption.* Subject to the provisions of the QBCA and the order of priority, holders of Class D non-voting shares have the right to demand, upon 30 days' written notice, that we redeem their Class D non-voting shares at a price equivalent to the amount paid for the shares plus the redemption premium, as defined in subsection 5.4.6.1 of our Articles, and any and all declared but yet unpaid dividends on the shares.

*Liquidation.* In the event of our dissolution or liquidation or any other distribution of our property, the Class D non-voting shareholders shall have the right to be reimbursed for the amount paid for their Class D non-voting shares plus the redemption premium, as defined in subsection 5.4.6.1 of our Articles as well as the amount of any and all declared but yet unpaid dividends on their shares, subject to the order of priority.

### **Class E Non-Voting Shares**

Subject to the provisions of the QBCA, holders of Class E non-voting shares are neither entitled to vote at any meeting of the shareholders, receive a notice of any such meeting, nor attend any such meeting.

*Dividends.* Holders of Class E non-voting shares are entitled to receive, as and when such dividends are declared, a monthly non-cumulative dividend of 0.5% to 2% on the amount paid for the shares, payable at the time and in the manner which the directors may determine and subject to the order of priority.

*Participation.* Subject to the provisions of subsection 5.5.2 of our Articles, holders of Class E non-voting shares do not have the right to participate in our profits.

*Conversion.* Holders of Class E non-voting shares have the right, at their discretion, to convert, part or all of their Class E non-voting shares into common shares on the basis of a number of common shares equal to the number of Class E non-voting shares converted multiplied by the conversion ratio, calculated as follows:

$$\text{Conversion Ratio} = \frac{\text{The product obtained by multiplying a factor to be agreed at the time of the issuance of the Class E non-voting shares by the average amount paid per share for the Class E non-voting shares plus the amount of any and all declared but yet paid dividends on the shares}}{\text{Fair market value of the common shares at the date of any conversion of Class E non-voting shares into common shares}}$$

*Redemption.* Subject to the provisions of the QBCA and the order of priority, we have the right, upon 30 days' written notice, to redeem the Class E non-voting shares at a price equivalent to the amount paid for the shares and any and all declared but yet unpaid dividends on the shares.

*Liquidation.* In the event of our dissolution or liquidation or any other distribution of our property, the Class E non-voting shareholders have the right to be reimbursed for the amount paid for their Class E non-voting shares as well as the amount of any and all declared but yet unpaid dividends on the shares, subject to the order of priority.

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### Warrants

The warrants to be issued in this offering entitle the registered holder to purchase one common share at a price per share (for each full warrant) not less than the closing price of our common shares on the NASDAQ Stock Market on the date the registration statement of which this prospectus form a part becomes effective, subject to adjustment as discussed below, immediately following the issuance of such warrant and terminating at 5:00 p.m., New York City time, five years after the closing of this offering.

From and after one year following their issuance, we may redeem the outstanding warrants without the consent of any third party or the underwriter:

- in whole and not in part;
- at a price of \$0.001 per warrant, so long as a registration statement relating to the common shares issuable upon the exercise of the warrants has been effective and current during the 30 consecutive trading day period described below;
- upon not less than 30 days' prior written notice of redemption; and
- if, and only if, the last closing trade price of our common shares equals or exceeds 200% of the warrant exercise price (subject to adjustment for splits, dividends, recapitalization and other similar events) for any 20 consecutive trading day period ending three business days before we send the notice of redemption to the holders of warrants.

If the foregoing conditions are satisfied and we call the warrants for redemption, each holder of warrants will then be entitled to exercise his, her or its warrants prior to the date scheduled for redemption. However, there can be no assurance that the price of the common shares will exceed the warrants exercise price after the redemption call is made.

The warrants will be issued pursuant to a warrant agreement between us and the warrant agent. Certain provisions of the warrants are set forth herein but are only a summary and are qualified in their entirety by the relevant provisions of the warrant agreement, the form of which is filed as an exhibit to the registration statement of which this prospectus forms a part. The exercise price and number of common shares issuable upon exercise of the warrants may be adjusted in certain circumstances, including in the event of a share dividend or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common shares at prices below their exercise price.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. Holders of the warrants will have the right to exercise the warrants via a cashless exercise feature provided for in the warrants if at the time of exercise of the warrants there is not an effective registration statement and current prospectus for the issuance of the underlying common shares. The warrant holders do not have the rights or privileges of holders of common shares or any voting rights until they exercise their warrants and receive the common shares. After the issuance of common shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

A holder may not exercise any portion of a warrant to the extent that the holder, together with its affiliates and any other person or entity acting as a group, would own more than 4.99% of our outstanding common shares after exercise, as such percentage ownership is determined in accordance with the terms of the warrant, except that upon at least 61 days' prior notice from the holder to us, the holder may waive such limitation up to a percentage not in excess of 9.99%. No fractional common shares will be issued upon exercise of the warrants. If, upon exercise of the warrant, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, either pay a cash adjustment in respect of such fraction in an amount equal to such fraction multiplied by the exercise price or round up to the next whole share. If multiple warrants are exercised by the holder at the same time, we will pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the exercise price or round up to the next whole share.



## MEMORANDUM AND ARTICLES OF INCORPORATION

### Memorandum and Articles of Association

We were incorporated on February 1, 2002 under Part 1A of the *Companies Act* (Québec) under the name “9113-0310 Québec Inc”. On August 7, 2008, pursuant to a Certificate of Amendment, we changed our name to “Acasti Pharma Inc.”, our share capital, the provisions regarding the restrictions on securities transfers and our borrowing powers. On November 7, 2008, pursuant to a Certificate of Amendment, we further revised our provisions regarding our borrowing powers. We became a reporting issuer in Québec on November 17, 2008. On February 14, 2011, the *Business Corporations Act* (Québec) came into effect and replaced the *Companies Act* (Québec). We are now governed by the *Business Corporations Act* (Québec), or the QBCA.

### Register, Entry Number and Purposes

Our articles of incorporation, as amended, or Articles, and general by-laws, do not define any of our objects and purposes. In that respect, we have no limit on the type of business we can carry out.

### Directors' Powers

Our Articles and by-laws do not contain any provision regarding: (a) a director's power in the absence of an independent quorum, to vote compensation to itself or any members of the committees of the board; (b) retirement or non-retirement of directors under an age limit requirement; and (c) number of shares, if any, required for a director's qualification.

Our by-laws provide that a director may not vote on a resolution to approve, amend or terminate a contract or transaction in which the director has any financial stake that may reasonably be considered to influence decision-making or be present during deliberations concerning the approval, amendment or termination of such a contract or transaction, unless the contract or transaction: (a) relates primarily to the remuneration of the director or an associate of the director as a director of us or an affiliate of us, (b) relates primarily to the remuneration of the director or an associate of the director as an officer, employee or mandatary of us or an affiliate of us, if we are not a reporting issuer, (c) is for indemnity or liability insurance, or (d) is with an affiliate of us, and the sole interest of the director is as a director or officer of the affiliate. In addition, our by-laws provide that a director must avoid placing himself or herself in any situation where his or her personal interests would be in conflict with his obligations as a director of ours, and that a director must disclose to us any interest he or she has in a business or association that may place him or her in a situation of conflict of interest and of any right he or she may set up against us, indicating their nature and value, where applicable.

Our Articles provide that the board may, on behalf us, (a) borrow money, (b) issue, reissue, sell or pledge debt instruments, (c) guarantee the obligations of a third party, and (d) hypothecate all or any of its assets, both present and future, to guarantee the performance of any of our obligations.

The quorum at every meeting of the board has been set to the minimum number of directors required under our Articles. In the absence of a quorum, a director has no power to make any decision regarding, among other things, compensation to himself or herself or to any member of the committees of the board.

Our by-laws do not contain any requirements with respect to a mandatory retirement age for our directors and the number of shares required for directors' qualifications.

### Procedures to Change the Rights of Shareholders

In order to change the rights attached to all classes of our shares, the vote of at least 66 2/3% of the holders of each class, must be cast at a shareholders meeting called for amending the rights attached to our common shares or preferred shares, as the case may be.

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### **Ordinary and Extraordinary Shareholders' Meetings**

Our by-laws provide that our annual meeting of shareholders must be held on a yearly basis on such date and on such time as may be fixed by the board. Our by-laws provide that special meetings of shareholders may be called at any time as determined by the board. Our shareholders are entitled to call special meetings of shareholders, provided that they hold at least 10% of the issued and outstanding shares entitled to vote at the meeting so called. Our by-laws provide that notice of each annual and special meeting of shareholders must be sent to the shareholders entitled to attend such meetings not less than 21 days and not more than 60 days before the date fixed for such meeting. Our by-laws provide that during any meeting of shareholders, the attendance, in person or by proxy, of at least two shareholders representing at least 10% of the issued and outstanding shares entitled to vote at the meeting will constitute a quorum.

Our bylaws require that advance notice be given to us in circumstances where nominations of persons for election as a director are made by shareholders other than pursuant to a requisition of a meeting made pursuant to the provisions of the QBCA or a shareholder proposal made pursuant to the provisions of the QBCA.

Among other things, the advance notice bylaw fixes a deadline by which shareholders must submit a notice of director nominations to us prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice for it to be valid.

In the case of an annual meeting of shareholders, notice must be given to us no less than 30 nor more than 65 days prior to the date of the annual meeting provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be given no later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting), notice must be given to us no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

### **Limitations on Rights to Own Securities**

There exists no limitation on the right to own our securities.

### **Impediments to Change of Control**

Neither our Articles nor by-laws contain any provision that would have an effect of delaying, deferring or preventing a change in control of us.

### **Stockholder Ownership Disclosure Threshold in Bylaws**

Our Articles and By-laws do not contain any provision requiring a shareholder to disclose his ownership above a particular threshold.

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### **Differences in Corporate Law**

We are governed by the QBCA which is generally similar to laws applicable to United States corporations. Significant differences between the QBCA and the Delaware General Corporation Law, or DGCL, which governs companies incorporated in the State of Delaware, include the differences summarized below. This summary is not an exhaustive review of the two statutes, and reference should be made to the full text of both statutes for particulars of the differences.

#### ***Number and Election of Directors***

##### *Delaware*

Under the DGCL, the board of directors must consist of at least one number. The number of directors shall be fixed by the bylaws of the corporation, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall only be made by an amendment of the certificate of incorporation. Under the DGCL, directors are elected at annual stockholder meetings by plurality vote of the stockholders, unless a shareholder-adopted bylaw prescribes a different required vote.

##### *Quebec*

Under the QBCA, the board of directors of a corporation must consist of at least three members, at least two of whom must not be officers or employees of the corporation or an affiliate of the corporation, so long as the corporation remains a “reporting issuer” for purposes of the QBCA, which includes a corporation that has made a distribution of securities to the public. Under the QBCA, directors are elected by the shareholders, in the manner and for the term, not exceeding three years, set out in the corporation’s bylaws. Our bylaws provide that our directors are elected at each annual meeting of shareholders at which such an election is required.

#### ***Removal of Directors***

##### *Delaware*

Under the DGCL, any or all directors may be removed with or without cause by the holders of a majority of shares entitled to vote at an election of directors unless the certificate of incorporation otherwise provides or in certain other circumstances if the corporation has cumulative voting.

##### *Quebec*

Under the QBCA, unless the articles of a corporation provide for cumulative voting (which is not the case for us), shareholders of the corporation may, by resolution passed by a majority of the vote cast thereon at a special meeting of shareholders, remove any or all directors from office and may elect any qualified person to fill the resulting vacancy.

#### ***Vacancies on the Board of Directors***

##### *Delaware*

Under the DGCL, vacancies and newly created directorships resulting from an increase in the authorized number of directors, may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

##### *Quebec*

Under the QBCA, vacancies that exist on the board of directors may generally be filled by the board if the remaining directors constitute a quorum. In the absence of a quorum, the remaining directors shall call a meeting of shareholders to fill the vacancy.

#### ***Board of Director Quorum and Vote Requirements***

##### *Delaware*

Under the DGCL, a majority of the total number of directors shall constitute a quorum for the transaction of

##### *Quebec*

Under the QBCA, subject to the corporation’s bylaws, a majority of the directors in office

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business unless the certificate or bylaws require a greater number. The bylaws may lower the number required for a quorum to one-third the number of directors, but no less.

Under the DGCL, the board of directors may take action by the majority vote of the directors present at a meeting at which a quorum is present unless the certificate of incorporation or bylaws require a greater vote.

### ***Transactions with Directors and Officers***

#### *Delaware*

The DGCL generally provides that no transaction between a corporation and one or more of its directors or officers, or between a corporation and any other corporation or other organization in which one or more of its directors or officers, are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee which authorizes the transaction, or solely because any such director's or officer's votes are counted for such purpose, if (i) the material facts as to the director's or officer's interest and as to the transaction are known to the board of directors or the committee, and the board or committee in good faith authorizes the transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum (ii) the material facts as to the director's or officer's interest and as to the transaction are disclosed or are known to the stockholders entitled to vote thereon, and the transaction is specifically approved in good faith by vote of the stockholders; or (iii) the transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors, a committee or the stockholders.

constitutes a quorum at any meeting of the board. Our bylaws also provide that a majority of the directors in office constitutes a quorum at any meeting of the board.

Under the QBCA, a quorum of directors may exercise all the powers of the directors despite any vacancy on the board.

#### *Quebec*

Under the QBCA, every director or officer of a corporation must disclose the nature and value of any interest he or she has in a contract or transaction to which the corporation is a party. For the purposes of this rule, "interest" means any financial stake in a contract or transaction that may reasonably be considered likely to influence decision-making. Furthermore, a proposed contract or a proposed transaction, including related negotiations, is considered a contract or transaction. In addition, a director or an officer must disclose any contract or transaction to which the corporation and any of the following are a party: (i) an associate of the director or officer; (ii) a group of which the director or officer is a director or officer; or (iii) a group in which the director or officer or an associate of the director or officer has an interest. Such disclosure is required even for a contract or transaction that does not require approval by the board of directors. If a director is required to disclose his or her interest in a contract or transaction, such director is not allowed to vote on any resolution to approve, amend or terminate the contract or transaction or be present during deliberations concerning the approval, amendment or termination of such contract or transaction, unless the contract or transaction (i) relates primarily to the remuneration of the director or an associate of the director as a director, officer, employee or mandatory of the corporation or an affiliate of the corporation, (ii) is for indemnity or liability insurance under the QBCA, or (iii) is with an affiliate of the corporation, and the sole interest of the director is as a director or officer of the affiliate.

If a director or officer does not disclose his or her interest in accordance with the QBCA, or (in the case of a director) votes in respect of a resolution on a contract or transaction in which he or she is

interested contrary to the QBCA, the corporation or a shareholder may ask the court to declare the contract or transaction null and to require the director or officer to account to the corporation for any profit or gain realized on it by the director or officer or the associates of the director or officer, and to remit the profit or gain to the corporation, according to the conditions the court considers appropriate. However, the contract or transaction may not be declared null if it was approved by the board of directors and the contract or transaction was in the interest of the corporation when it was approved, nor may the director or officer concerned, in such a case, be required to account for any profit or gain realized or to remit the profit or gain to the corporation. In addition, the contract or transaction may not be declared null if it was approved by ordinary resolution by the shareholders entitled to vote who do not have an interest in the contract or transaction, the required disclosure was made to the shareholders and the contract or transaction was in the best interests of the corporation when it was approved, and if the director or officer acted honestly and in good faith, he or she may not be required to account for the profit or gain realized and to remit the profit or gain to the corporation.

***Limitation on Liability of Directors***

*Delaware*

The DGCL permits a corporation to include a provision in its certificate of incorporation eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for a breach of the director's fiduciary duty as a director, except for liability:

- for breach of the director's duty of loyalty to the corporation or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law;
- under Section 174 of the DGCL, which concerns unlawful payment of dividends, stock purchases or redemptions; or
- for any transaction from which the director derived an improper personal benefit

*Quebec*

The QBCA does not permit the limitation of a director's liability as the DGCL does.

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### ***Indemnification of Directors and Officers***

#### *Delaware*

The DGCL permits indemnification for derivative suits only for expenses (including legal fees) and only if the person is not found liable, unless a court determines the person is fairly and reasonably entitled to the indemnification.

#### *Quebec*

Under the QBCA, a corporation may indemnify a director or officer, a former director or officer or a person who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity of another group (who is referred to in this document as an indemnifiable person) against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the indemnifiable person on the exercise of the person's functions or arising from any investigative or other proceeding in which the person is involved if:

- the person acted honestly and loyalty in the interest of the corporation or other group, and
- in the case of a proceeding enforceable by a monetary penalty, the person had reasonable grounds for believing the person's conduct was lawful.

An indemnifiable person is also entitled to indemnity for reasonable defense costs and expenses if the person fulfills the above-mentioned requirements and was not judged to have committed any fault or omitted to do anything the person ought to have done. In the case of a derivative action, indemnity may be made only with court approval.

### ***Call and Notice of Stockholder Meetings***

#### *Delaware*

Under the DGCL, an annual or special stockholder meeting is held on such date, at such time and at such place as may be designated by the board of directors or any other person authorized to call such meeting under the corporation's certificate of incorporation or bylaws. If an annual meeting for election of directors is not held on the date designated or an action by written consent to elect directors in lieu of an annual meeting has not been taken within 30 days after the date designated for the annual meeting, or if no date has been designated, for a period of 13 months after the later of the last annual meeting or the last action by written consent to elect directors in lieu of an annual meeting, the Delaware Court of Chancery may summarily order a meeting to be held upon the application of any stockholder or director.

#### *Quebec*

Under the QBCA, an annual meeting of shareholders must be held no later than fifteen months after holding the last preceding annual meeting. Under the QBCA, the directors of a corporation may call a special meeting at any time. In addition, holders of not less than 10 percent of the issued shares of a corporation that carry the right to vote at a meeting sought to be held may requisition the directors to call a meeting of shareholders.

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### ***Stockholder Action by Written Consent***

#### *Delaware*

Under the DGCL, a majority of the stockholders of a corporation may act by written consent without a meeting unless such action is prohibited by the corporation's certificate of incorporation.

#### *Quebec*

Under the QBCA, a written resolution signed by all the shareholders of a corporation who would have been entitled to vote on the resolution at a meeting is effective to approve the resolution.

### ***Stockholder Nominations and Proposals***

#### *Delaware*

Not applicable.

#### *Quebec*

Under the QBCA, a shareholder entitled to vote at a shareholders' meeting may submit a shareholder proposal relating to matters which the shareholder wishes to propose and discuss at an annual shareholders' meeting and, subject to such shareholder's compliance with the prescribed time periods and other requirements of the QBCA pertaining to shareholder proposals, the corporation is required to include such proposal in the information circular pertaining to any annual meeting at which it solicits proxies, subject to certain exceptions. Notice of such a proposal must be provided to the corporation at least 90 days before the anniversary date of the notice of meeting for the last annual shareholders' meeting.

In addition, the QBCA requires that any shareholder proposal that includes nominations for the election of directors must be signed by one or more holders of shares representing in the aggregate not less than five per cent of the shares or five per cent of the shares of a class or series of shares of the corporation entitled to vote at the meeting to which the proposal is to be presented.

### ***Stockholder Quorum and Vote Requirements***

#### *Delaware*

Under the DGCL, quorum for a stock corporation is a majority of the shares entitled to vote at the meeting unless the certificate of incorporation or bylaws specify a different quorum, but in no event may a quorum be less than one-third of the shares entitled to vote. Unless the DGCL, certificate of incorporation or bylaws provide for a greater vote, generally the required vote under the DGCL is a majority of the shares present in person or represented by proxy, except for the election of directors which requires a plurality of the votes cast.

#### *Quebec*

Under the QBCA, unless the bylaws otherwise provide, the holders of a majority of the shares of a corporation entitled to vote at a meeting of shareholders, whether present in person or represented by proxy, constitute a quorum.

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### ***Amendment of Governing Instrument***

#### *Delaware*

*Amendment of Certificate of Incorporation.* Generally, under the DGCL, the affirmative vote of the holders of a majority of the outstanding stock entitled to vote is required to approve a proposed amendment to the certificate of incorporation, following the adoption of the amendment by the board of directors of the corporation, provided that the certificate of incorporation may provide for a greater vote. Under the DGCL, holders of outstanding shares of a class or series are entitled to vote separately on an amendment to the certificate of incorporation if the amendment would have certain consequences, including changes that adversely affect the rights and preferences of such class or series.

*Amendment of Bylaws.* Under the DGCL, after a corporation has received any payment for any of its stock, the power to adopt, amend or repeal bylaws shall be vested in the stockholders entitled to vote; provided, however, that any corporation may, in its certificate of incorporation, provide that bylaws may be adopted, amended or repealed by the board of directors. The fact that such power has been conferred upon the board of directors shall not divest the stockholders of the power nor limit their power to adopt, amend or repeal the bylaws.

### ***Votes on Mergers, Consolidations and Sales of Assets***

#### *Delaware*

The DGCL provides that, unless otherwise provided in the certificate of incorporation or bylaws, the adoption of a merger agreement requires the approval of a majority of the outstanding stock of the corporation entitled to vote thereon.

#### *Quebec*

*Amendment of Articles.* Under the QBCA, amendments to the articles of incorporation generally require the approval of not less than two-thirds of the votes cast by shareholders entitled to vote on the resolution. Specified amendments may also require the approval of other classes of shares. If the amendment is of a nature affecting a particular class or series in a manner requiring a separate class or series vote, that class or series is entitled to vote on the amendment whether or not it otherwise carries the right to vote.

*Amendment of Bylaws.* Under the QBCA, the directors may, by resolution, make, amend or repeal any bylaws that regulates the business or affairs of the corporation. Where the directors make, amend or repeal a bylaw, they are required under the QBCA to submit that action to the shareholders at the next meeting of shareholders and the shareholders may confirm, reject or amend that action by simple majority, or ordinary resolution. If the action is rejected by shareholders, or the directors of a corporation do not submit the action to the shareholders at the next meeting of shareholders, the action will cease to be effective, and no subsequent resolution of the directors to make, amend or repeal a bylaw having substantially the same purpose or effect will be effective until it is confirmed.

#### *Quebec*

Under the QBCA, certain extraordinary corporate actions, such as amalgamations (other than with certain affiliated corporations), continuances and sales, leases or exchanges of the property of a corporation if as a result of such alienation the corporation would be unable to retain a significant part of its business activities, and other extraordinary corporate actions such as liquidations, dissolutions and (if ordered by a court) arrangements, are required to be approved by “special resolution.”

A “special resolution” is a resolution passed by not less than two-thirds of the votes cast by the shareholders who voted in respect of the resolution or signed by all



***Dissenter's Rights of Appraisal***

*Delaware*

Under the DGCL, a stockholder of a Delaware corporation generally has the right to dissent from a merger or consolidation in which the Delaware corporation is participating, subject to specified procedural requirements, including that such dissenting stockholder does not vote in favor of the merger or consolidation. However, the DGCL does not confer appraisal rights, in certain circumstances, including if the dissenting stockholder owns shares traded on a national securities exchange and will receive publicly traded shares in the merger or consolidation. Under the DGCL, a stockholder asserting appraisal rights does not receive any payment for his or her shares until the court determines the fair value or the parties otherwise agree to a value. The costs of the proceeding may be determined by the court and assessed against the parties as the court deems equitable under the circumstances.

shareholders entitled to vote on the resolution. In specified cases, a special resolution to approve the extraordinary corporate action is also required to be approved separately by the holders of a class or series of shares, including in certain cases a class or series of shares not otherwise carrying voting rights.

*Quebec*

The QBCA provides that shareholders of a corporation are entitled to exercise dissent rights (called "the right to demand the repurchase of shares") and to be paid the fair value of their shares in connection with specified matters, including:

- any amalgamation with another corporation (other than with certain affiliated corporations);
- an amendment to the corporation's articles to add, change or remove any provisions restricting or constraining the transfer of shares;
- an amendment to the corporation's articles to add, change or remove any restriction upon the businesses or businesses that the corporation may carry on;
- a continuance under the laws of another jurisdiction;
- a sale, lease or exchange of the property of the corporation or of its subsidiaries if, as a result of such alienation, the corporation is unable to retain a significant part of its business activity;
- a court order permitting a shareholder to exercise his right to demand the repurchase of his shares in connection with an application to the court for an order approving an arrangement proposed by the corporation;
- the carrying out of a going-private transaction; and certain amendments to the articles of a corporation which require a separate class or series vote by a holder of shares of any class or series.

However, a shareholder is not entitled to dissent if an amendment to the articles is effected by a court order approving reorganization or by a court order made in connection with an action for an oppression remedy.

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### ***Oppression Remedy***

#### *Delaware*

The DGCL does not provide for a similar remedy.

#### *Quebec*

The QBCA provides an oppression remedy (called “rectification of abuse of power or iniquity”) that enables a court to make any order, whether interim or final, to rectify matters that are oppressive or unfairly prejudicial to the interests of any securityholder, director or officer of the corporation if an application is made to a court by an “applicant”. An “applicant” with respect to a corporation means any of the following:

- a present or former registered holder or beneficiary of securities of the corporation or any of its affiliates;
- a present or former officer or director of the corporation or any of its affiliates; and
- any other person who in the discretion of the court has the interest to make the application.

The oppression remedy provides the court with very broad and flexible powers to intervene in corporate affairs to protect shareholders and other complainants. While conduct that is in breach of fiduciary duties of directors or that is contrary to the legal right of a complainant will normally trigger the court’s jurisdiction under the oppression remedy, the exercise of that jurisdiction does not depend on a finding of a breach of those legal and equitable rights. Furthermore, the court may order a corporation to pay the interim expenses of an applicant seeking an oppression remedy, but the applicant may be held accountable for interim costs on final disposition of the complaint (as in the case of a derivative action as described in “Shareholder Derivative Actions” below).

### ***Shareholder Derivative Actions***

#### *Delaware*

Under the DGCL, stockholders may bring derivative actions on behalf of, and for the benefit of the corporation. The plaintiff in a derivative action on behalf of the corporation either must be or have been a stockholder of the corporation at the time of the transaction or must be a stockholder who became a stockholder by operation of law in the transaction regarding which the stockholder complains. A stockholder may not sue derivatively on behalf of the corporation unless the stockholder first makes demand on the corporation that it bring suit and the demand is refused, unless it is shown that making the demand would have been a futile act.

#### *Quebec*

Under the QBCA, a shareholder of a corporation may apply to a Quebec court for leave to bring an action in the name of, and on behalf of, the corporation or any subsidiary, or to intervene in an existing action to which the corporation or any of its subsidiaries is a party, for the purpose of prosecuting, defending or discontinuing an action on behalf of the corporation or its subsidiary. Under the QBCA, no action may be brought and no intervention in an action may be made unless a court is satisfied that:

- the shareholder has given the required 14-day notice to the directors of the corporation or the

subsidiary of the shareholder's intention to apply to the court if the directors do not bring, diligently prosecute or defend or discontinue the action;

- the shareholder is acting in good faith; and
- it appears to be in the interests of the corporation or the relevant subsidiary that the action be brought, prosecuted, defended or discontinued.

Under the QBCA, the court in a derivative action may make any order it thinks fit. In addition, under the QBCA, a court may order the corporation or its relevant subsidiary to pay the shareholder's interim costs, including reasonable legal fees and disbursements. Although the shareholder may be held accountable for the interim costs on final disposition of the complaint, the shareholder is not required to give security for costs in a derivative action.

### ***Anti-Takeover and Ownership Provisions***

#### *Delaware*

Unless an issuer opts out of the provisions of Section 203 of the DGCL, Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with a holder of 15% or more of the corporation's voting stock (as defined in Section 203), referred to as an interested stockholder, for a period of three years after the date of the transaction in which the interested stockholder became an interested stockholder, except as otherwise provided in Section 203. For these purposes, the term "business combination" includes mergers, assets sales and other similar transactions with an interested stockholder.

#### *Quebec*

While the QBCA does not contain specific anti- takeover provisions with respect to "business combinations", rules and policies of certain Canadian securities regulatory authorities, including Multilateral Instrument 61-101—Protection of Minority Security Holders in Special Transactions, or Multilateral Instrument 61-101, contain requirements in connection with, among other things, "related party transactions" and "business combinations", including, among other things, any transaction by which an issuer directly or indirectly engages in the following with a related party: acquires, sells, leases or transfers an asset, acquires the related party, acquires or issues treasury securities, amends the terms of a security if the security is owned by the related party or assumes or becomes subject to a liability or takes certain other actions with respect to debt.

The term "related party" includes directors, senior officers and holders of more than 10% of the voting rights attached to all outstanding voting securities of the issuer or holders of a sufficient number of any securities of the issuer to materially affect control of the issuer.

Multilateral Instrument 61-101 requires, subject to certain exceptions, the preparation of a formal valuation relating to certain aspects of the transaction and more detailed disclosure in the proxy material sent to security holders in connection with a related

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party transaction including related to the valuation. Multilateral Instrument 61-101 also requires, subject to certain exceptions, that an issuer not engage in a related party transaction unless the shareholders of the issuer, other than the related parties, approve the transaction by a simple majority of the votes cast.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations arising from and relating to the acquisition, ownership, and disposition of our common shares and warrants to a U.S. Holder (as defined below) who acquires such common shares and warrants pursuant to this prospectus. This discussion does not address the tax consequences to a subsequent purchaser of our common shares or warrants. This summary provides only general information and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder as a result of the acquisition, ownership, and disposition of our common shares or warrants. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences applicable to that U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and non-U.S. tax consequences arising from or relating to the acquisition, ownership, and disposition of our common shares or warrants.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service, or IRS, has been requested, or will be obtained, regarding the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares or warrants. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

### Scope of this Disclosure

#### *Authorities*

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations promulgated thereunder (whether final, temporary or proposed), published IRS rulings, judicial decisions, published administrative positions of the IRS, and the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the Canada-U.S. Tax Treaty), in each case, as in effect as of the date of this prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. Unless otherwise discussed, this summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

#### *U.S. Holders*

For purposes of this summary, a “U.S. Holder” is a beneficial owner of common shares or warrants that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the United States, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the United States or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

#### *U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed*

This summary does not address the U.S. federal income tax consequences applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax

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deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders subject to the alternative minimum tax provisions of the Code; (f) U.S. Holders that own common shares or warrants as part of a straddle, hedging transaction, conversion transaction, integrated transaction, constructive sale, or other arrangement involving more than one position; (g) U.S. Holders that acquired common shares or warrants through the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold common shares or warrants other than as a capital asset within the meaning of Section 1221 of the Code; (i) U.S. Holders that beneficially own (directly, indirectly or by attribution) 10% or more of our voting securities or otherwise held 10% or more of our total combined voting power; and (j) U.S. expatriates. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences arising from and relating to the acquisition, ownership, and disposition of the common shares or warrants.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds common shares or warrants, the U.S. federal income tax consequences to that partnership and the partners of that partnership generally will depend on the activities of the partnership and the status of the partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of the common shares or warrants.

### ***Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed***

This summary does not address the U.S. estate and gift, alternative minimum, state, local or non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares or warrants. Each U.S. Holder should consult its own tax advisor regarding the U.S. estate and gift, alternative minimum, state, local and non-U.S. tax consequences arising from and relating to the acquisition, ownership, and disposition of our common shares or warrants.

### ***Apportionment of Purchase Price***

For U.S. federal income tax purposes, each U.S. Holder who acquires common shares and warrants pursuant to this prospectus generally must allocate the amount paid between the common shares and the warrants based on the relative fair market value of each on the date of acquisition. The price allocated to each common share and warrant generally will be such holder’s tax basis in such common share or warrant, as the case may be. We intend to apportion \$            to each common share and \$            to each warrant. However, the IRS is not bound by this allocation of the purchase price for the common shares and warrants and therefore the IRS or a U.S. court may not respect such allocation.

Each U.S. Holder is advised to consult its own tax advisor regarding the risks associated with an investment in the common shares and warrants and regarding an allocation of the purchase price between the common shares and the warrants.

## **U.S. Federal Income Tax Considerations of the Acquisition, Ownership, and Disposition of Common Shares**

### ***Distributions on Common Shares***

Subject to the discussion under “—Passive Foreign Investment Company Rules” below, a U.S. Holder that receives a distribution, including a constructive distribution or a taxable stock distribution, with respect to the

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common shares generally will be required to include the amount of that distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of our current or accumulated “earnings and profits” (as computed for U.S. federal income tax purposes). To the extent that a distribution exceeds our current and accumulated “earnings and profits”, the excess amount will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder’s adjusted tax basis in the common shares with respect to which the distribution is made (resulting in a corresponding reduction in the tax basis of those common shares) and, (b) thereafter, as gain from the sale or exchange of those common shares (see the more detailed discussion at “—Disposition of Common Shares” below). We do not intend to calculate our current or accumulated earnings and profits for U.S. federal income tax purposes and, therefore, will not be able to provide U.S. Holders with that information. U.S. Holders should therefore assume that any distribution by us with respect to our common shares will constitute a dividend. However, U.S. Holders should consult their own tax advisors regarding whether distributions from us should be treated as dividends for U.S. federal income tax purposes. Dividends paid on our common shares generally will not be eligible for the “dividends received deduction” allowed to corporations under the Code with respect to dividends received from U.S. corporations.

A dividend paid by us generally will be taxed at the preferential tax rates applicable to long-term capital gains if, among other requirements, (a) we are a “qualified foreign corporation” (as defined below), (b) the U.S. Holder receiving the dividend is an individual, estate, or trust, and (c) the dividend is paid on common shares that have been held by the U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the “ex-dividend date” (i.e., the first date that a purchaser of the common shares will not be entitled to receive the dividend).

For purposes of the rules described in the preceding paragraph, we generally will be a “qualified foreign corporation”, or a QFC, if (a) we are eligible for the benefits of the Canada-U.S. Tax Treaty, or (b) our common shares are readily tradable on an established securities market in the United States, within the meaning provided in the Code. However, even if we satisfy one or more of the requirements, we will not be treated as a QFC if we are classified as a PFIC (as discussed below) for the taxable year during which we pay the applicable dividend or for the preceding taxable year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of those rules to them in their particular circumstances. Even if we satisfy one or more of the requirements, as noted below, there can be no assurance that we will not be a PFIC in the current taxable year, or become a PFIC in the future. Thus, there can be no assurance that we will qualify as a QFC.

### ***Disposition of Common Shares***

Subject to the discussion under “—Passive Foreign Investment Company Rules” below, a U.S. Holder will recognize gain or loss on the sale or other taxable disposition of common shares (that is treated as a sale or exchange for U.S. federal income tax purposes) equal to the difference, if any, between (a) the U.S. dollar value of the amount realized on the date of the sale or disposition and (b) the U.S. Holder’s adjusted tax basis (determined in U.S. dollars) in the common shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the common shares are held for more than one year. Each U.S. Holder should consult its own tax advisor as to the tax treatment of dispositions of common shares in exchange for Canadian dollars.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations.

### ***Passive Foreign Investment Company Rules***

If we are or become a PFIC, the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares.

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### Passive Foreign Investment Company Status.

Special, generally unfavorable, rules apply to the ownership and disposition of the stock of a PFIC. For U.S. federal income tax purposes, a non-U.S. corporation is classified as a PFIC for each taxable year in which either:

- at least 75% of its gross income is “passive” income (referred to as the “income test”); or
- at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income (referred to as the “asset test”).

Passive income includes the following types of income:

- dividends, royalties, rents, annuities, interest, and income equivalent to interest; and
- net gains from the sale or exchange of property that gives rise to dividends, interest, royalties, rents, or annuities and certain gains from the commodities transactions.

In determining whether we are a PFIC, we will be required to take into account a pro rata portion of the income and assets of each corporation in which we own, directly or indirectly, at least 25% by value.

As described above, PFIC status of a non-U.S. corporation for a taxable year depends on the relative values of certain categories of assets and the relative amount of certain kinds of income. Therefore, our status as a PFIC for any given taxable year depends upon the financial results for such year and upon relative valuations, which are subject to change and beyond our ability to predict or control. Based on our most recent financial statements and projections and given uncertainty regarding the composition of our future income and assets, there is a significant risk that we may be classified as a PFIC for the fiscal year ending March 31, 2018 and possibly in subsequent years. However, PFIC status is fundamentally factual in nature, depends on the application of complex U.S. federal income tax rules (which are subject to differing interpretations), generally cannot be determined until the close of the taxable year in question and is determined annually. Accordingly, there can be no assurance that we will not be a PFIC in our 2018 taxable year or subsequent years. The PFIC rules are complex, and each U.S. Holder should consult its tax advisor regarding the application of the PFIC rules to us.

### Default PFIC Rules Under Section 1291 of the Code.

Generally, if we are or have been treated as a PFIC for any taxable year during a U.S. Holder’s holding period of common shares, subject to the special rules described below applicable to a U.S. Holder who makes a Mark-to-Market Election or a QEF Election (each as defined below), any “excess distribution” with respect to the common shares would be allocated ratably over the U.S. Holder’s holding period. The amounts allocated to the taxable year of the excess distribution and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations in that taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Distributions made in respect of common shares during a taxable year will be excess distributions to the extent they exceed 125% of the average of the annual distributions on common shares received by the U.S. Holder during the preceding three taxable years or the U.S. Holder’s holding period, whichever is shorter. In addition, dividends generally will not be qualified dividend income if we are a PFIC in the taxable year of payment or the preceding year.

Generally, if we are treated as a PFIC for any taxable year during which a U.S. Holder owns common shares, any gain on the disposition of the common shares would be treated as an excess distribution and would be allocated ratably over the U.S. Holder’s holding period and subject to taxation in the same manner as described in the preceding paragraph, and would not be eligible for the preferential long-term capital gains rate.



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Certain elections (including the Mark-to-Market Election and the QEF Election, as defined and discussed below) may sometimes be used to mitigate the adverse impact of the PFIC rules on U.S. Holders, but these elections may accelerate the recognition of taxable income and have other adverse results.

### **U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE APPLICABILITY OF THE PFIC RULES TO SHARES AND WARRANTS ACQUIRED PURSUANT TO THIS PROSPECTUS, AND THE AVAILABILITY OF MAKING A QEF OR MARK-TO-MARKET ELECTION TO MITIGATE ADVERSE U.S. TAX CONSEQUENCES OF HOLDING SHARES OF A PFIC.**

#### QEF Election.

A U.S. Holder of common shares in a PFIC generally would not be subject to the PFIC rules discussed above if the U.S. Holder had made a timely and effective election (a “QEF Election”) to treat us as a “qualified electing fund” (a “QEF”). Instead, such U.S. Holder would be subject to U.S. federal income tax on its *pro rata* share of our (i) net capital gain, which would be taxed as long-term capital gain to such U.S. Holder, and (ii) ordinary earnings, which would be taxed as ordinary income to such U.S. Holder, in each case regardless of whether such amounts are actually distributed to such U.S. Holder. However, a U.S. Holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election generally (a) may receive a tax-free distribution from us to the extent that such distribution represents our “earnings and profits” that were previously included in income by such U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the common shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, for U.S. federal income tax purposes, a U.S. Holder that makes a timely QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of the common shares.

A QEF Election will be treated as “timely” if such QEF Election is made for the first taxable year in the U.S. Holder’s holding period for the common shares in which we are a PFIC. A U.S. Holder may make a timely QEF election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such first year. If a U.S. Holder makes a QEF Election after the first taxable year in the U.S. Holder’s holding period for the common shares in which we are a PFIC, then, in addition to filing the QEF Election documents, a U.S. Holder may elect to recognize gain (which will be taxed under the rules discussed under “—*Default PFIC Rules Under Section 1291 of the Code*”) as if the common shares were sold on the qualification date. The “qualification date” is the first day of the first taxable year in which we are a QEF with respect to such U.S. Holder. The election to recognize such gain can only be made if such U.S. Holder’s holding period for the common shares includes the qualification date. By electing to recognize such gain, such U.S. Holder will be deemed to have made a timely QEF Election. In addition, under very limited circumstances, it is possible that a U.S. Holder might make a retroactive QEF Election if such U.S. Holder failed to file the QEF Election documents in a timely manner. If a U.S. Holder fails to make a QEF Election for the first taxable year in the U.S. Holder’s holding period for the common shares in which we are a PFIC and does not elect to recognize gain as if the common shares were sold on the qualification date, such holder will not be treated as having made a “timely” QEF election and will continue to be subject to the special adverse taxation rules discussed above under “—*Default PFIC Rules Under Section 1291 of the Code*”.

A QEF Election will apply to the taxable year for which such QEF election is made and to all subsequent taxable years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent taxable year, we cease to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those taxable years in which we are

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not a PFIC. Accordingly, if we become a PFIC in another subsequent taxable year, the QEF Election will be effective and the U.S. Holder will be subject to the rules described above during any such subsequent taxable year in which we qualify as a PFIC.

A U.S. Holder cannot make and maintain a valid QEF Election unless we provide certain U.S. tax information necessary to make such an election. On an annual basis, we intend to use commercially reasonable efforts to make available to U.S. Holders that acquire common shares pursuant to this prospectus, upon their written request (a) timely information as to our status as a PFIC, and (b) for each year in which we are a PFIC, information and documentation that a U.S. Holder making a QEF Election with respect to us is required to obtain for U.S. federal income tax purposes. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election with respect to us.

### Mark-to-Market Election.

A U.S. Holder of common shares in a PFIC would not be subject to the PFIC rules discussed above under “—*Default PFIC Rules Under Section 1291 of the Code*” if the U.S. Holder had made a timely and effective election to mark the PFIC common shares to market (a “Mark-to-Market Election”).

A U.S. Holder may make a Mark-to-Market Election with respect to the common shares only if such shares are marketable stock. Such shares generally will be “marketable stock” if they are regularly traded on a “qualified exchange,” which is defined as (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Exchange Act of 1934, or (c) a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such non-U.S. exchange has trading volume, listing, financial disclosure, surveillance, and other requirements, and the laws of the country in which such non-U.S. exchange is located, together with the rules of such non-U.S. exchange, ensure that such requirements are actually enforced and (ii) the rules of such non-U.S. exchange ensure active trading of listed stocks. Our common shares will generally be treated as “regularly traded” in any calendar year in which more than a *de minimis* quantity of common shares is traded on a qualified exchange for at least 15 days during each calendar quarter. Each U.S. Holder should consult its own tax advisor with respect to the availability of a Mark-to-Market Election with respect to the common shares.

In general, a U.S. Holder that makes a timely Mark-to-Market Election with respect to the common shares will include in ordinary income, for each taxable year in which we are a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares as of the close of such taxable year over (b) such U.S. Holder’s tax basis in such shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the lesser of (a) the excess, if any, of (i) such U.S. Holder’s adjusted tax basis in the common shares over (ii) the fair market value of such shares as of the close of such taxable year or (b) the excess, if any, of (i) the amount included in ordinary income because of such Mark-to-Market Election for prior taxable years over (ii) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years. If a U.S. Holder makes a Mark-to-Market Election after the first taxable year in which we are a PFIC and such U.S. Holder has not made a timely QEF Election with respect to us, the PFIC rules described above under “—*Default PFIC Rules Under Section 1291 of the Code*” will apply to certain dispositions of, and distributions on, the common shares, and the U.S. Holder’s mark-to-market income for the year of the election. If we were to cease being a PFIC, a U.S. Holder that marked its common shares to market would not include mark-to-market gain or loss with respect to its common shares for any taxable year that we were not a PFIC.

A U.S. Holder that makes a Mark-to-Market Election generally will also adjust such U.S. Holder’s tax basis in his common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of the common shares subject to a Mark-to-Market Election, any gain or loss on such disposition will be ordinary income or loss (to the extent that such loss does not to exceed the excess, if any, of (a) the amount included in ordinary income because of such

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Mark-to-Market Election for prior taxable years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years). A Mark-to-Market Election applies to the taxable year in which such Mark-to-Market Election is made and to each subsequent taxable year, unless the common shares cease to be “marketable stock” or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election with respect to the common shares.

**Reporting.** If we were to be treated as a PFIC in any taxable year, a U.S. Holder will generally be required to file an annual report with the IRS containing such information as the U.S. Treasury Department may require.

**Each U.S. Holder should consult its own tax advisor regarding our potential status as a PFIC, the possible effect of the PFIC rules to such holder and information reporting required if we were a PFIC, as well as the availability of any election that may be available to the holder to mitigate adverse U.S. federal income tax consequences of holding shares in a PFIC.**

### **U.S. Federal Income Tax Consequences of the Acquisition, Ownership, Disposition, and Exercise of Warrants**

#### ***Sale or Other Disposition of Warrants***

If we are not treated as a PFIC at any time during which a U.S. Holder owns warrants, such U.S. Holder will recognize gain or loss on a sale or other taxable disposition of the warrants (other than by exercise) equal to the difference, if any, between (a) the U.S. dollar value of the amount realized on the date of such sale or disposition and (b) such U.S. Holder’s adjusted tax basis (determined in U.S. dollars) in the warrants sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such warrants are held for more than one year.

If a U.S. Holder’s holding period for its warrants includes any portion of a taxable year for which we are a PFIC, then any gain on a sale or other taxable disposition of the warrants (other than by exercise) generally will be taxed as an “excess distribution” under the PFIC rules discussed above under “—U.S. Federal Income Tax Considerations of the Acquisition, Ownership, and Disposition of Common Shares—Passive Foreign Investment Company Rules”. Any loss from such sale or disposition will generally be treated as a capital loss, which will be long-term capital loss if such warrants are held for more than one year. Neither the QEF Election nor the Mark-to-Market Election is available with respect to the Warrants.

#### ***Exercise of Warrants***

Except with respect to a cashless exercise of warrants, upon the exercise of warrants and related receipt of common shares, a U.S. Holder will generally not recognize gain or loss unless cash is received in lieu of the issuance of a fractional common share, and will have a tax basis for the common shares so acquired equal to the sum of the exercise price paid by such holder and such holder’s adjusted tax basis for the warrants, less any amount attributable to any fractional share with respect to which such holder received cash. The receipt of cash in lieu of a fractional common share should generally be treated as if the U.S. holder received the fractional share and then received such cash in redemption of such fractional share. Such redemption should generally result in capital gain or loss equal to the difference between the amount of cash received and such holder’s adjusted tax basis in the common share that is allocable to the fractional share. Any such gain will generally be treated as an “excess distribution” under the PFIC rules discussed above.

In general, a U.S. Holder’s holding period for common shares acquired upon exercise of warrants will not include the period during which such holder owned the warrants. However, if we have been a PFIC for any taxable year all or a portion of which includes the period the U.S. Holder owned the warrants, then solely for purposes of applying the PFIC rules to the common shares acquired upon exercise of such warrants, the holding period will include the period during which the U.S. Holder owned the warrants.

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The tax treatment of a cashless exercise is uncertain and could materially differ from the consequences upon the exercise of a warrant described above. U.S. Holders are urged to consult their tax advisors with respect to the tax consequences of a cashless exercise.

### ***Expiration of Warrants Without Exercise***

Upon the lapse or expiration of a warrant, a U.S. Holder will generally recognize a loss in an amount equal to such U.S. Holder's tax basis in the warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the warrant was held for more than one year. The deductibility of a capital loss may be subject to limitations.

### ***Constructive Dividends***

Under Section 305 of the Code, an adjustment to the number of shares of our common shares that will be issued on the exercise of the warrants, an adjustment to the exercise price of our warrants, or the failure to make adjustments to the exercise price upon the occurrence of certain events, may be treated as a constructive distribution to a U.S. Holder of the warrants if, and to the extent that, such adjustment (or failure to adjust) has the effect of increasing such U.S. Holder's proportionate interest in our "earnings and profits" or assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to our shareholders). Adjustments to the exercise price of a warrant made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of our warrants should generally not result in a constructive distribution. U.S. Holders should consult their own tax advisers with respect to the tax consequences of any exercise price adjustment.

### **Receipt of Foreign Currency**

The amount of a distribution paid in Canadian dollars or Canadian dollar proceeds received on the sale or other taxable disposition of common shares or warrants will generally be equal to the U.S. dollar value of the currency on the date of receipt. If any Canadian dollars received with respect to the common shares or warrants are later converted into U.S. dollars, U.S. Holders may realize gain or loss on the conversion. Any gain or loss generally will be treated as ordinary income or loss and generally will be from sources within the United States for U.S. foreign tax credit purposes. Each U.S. Holder should consult its own tax advisor concerning the possibility of foreign currency gain or loss if any such currency is not converted into U.S. dollars on the date of receipt.

### **Foreign Tax Credit**

Subject to certain limitations, a U.S. Holder who pays (whether directly or through withholding) Canadian or other non-U.S. income tax with respect to the common shares or warrants may be entitled, at the election of the U.S. Holder, to receive either a deduction or a credit for Canadian or other non-U.S. income tax paid. Dividends paid on common shares generally will constitute income from sources outside the United States. The foreign tax credit rules (including the limitations with respect thereto) are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules, having regard to such holder's particular circumstances.

### **Information Reporting; Backup Withholding**

Generally, information reporting and backup withholding will apply to distributions on, and the payment of proceeds from the sale or other taxable disposition of, the common shares or warrants unless (i) the U.S. Holder is a corporation or other exempt entity, or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that the U.S. Holder is not subject to backup withholding.

Backup withholding is not an additional tax. Any amount withheld generally will be creditable against a U.S. Holder's U.S. federal income tax liability or refundable to the extent that it exceeds such liability provided the required information is provided to the IRS in a timely manner.

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In addition, certain categories of U.S. Holders must file information returns with respect to their investment in a non-U.S. corporation. For example, certain U.S. Holders must file IRS Form 8938 with respect to certain “specified foreign financial assets” (such as the common shares and warrants) with an aggregate value in excess of US\$50,000 (and, in some circumstances, a higher threshold). Failure to do so could result in substantial penalties and in the extension of the statute of limitations with respect to such holder’s U.S. federal income tax returns. Each U.S. Holder should consult its own tax advisor regarding application of the information reporting and backup withholding rules to it in connection with an investment in our common shares or warrants.

### **Medicare Contribution Tax**

U.S. Holders that are individuals, estates or certain trusts generally will be subject to a 3.8% Medicare contribution tax on, among other things, dividends on, and capital gains from the sale or other taxable disposition of, common shares or warrants, subject to certain limitations and exceptions. Each U.S. Holder should consult its own tax advisor regarding possible application of this additional tax to income earned in connection with an investment in our common shares or warrants.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) and the regulations promulgated thereunder (collectively the “Tax Act”), to a purchaser who acquires, as beneficial owner, the offered shares and warrants under this offering, and who, for purposes of the Tax Act and at all relevant times, (i) is not, and is not deemed to be, resident in Canada, (ii) holds the offered shares and warrants as capital property, (iii) deals at arm’s length with, and is not affiliated with, Acasti or the Underwriters, and (iv) does not use or hold and will not be deemed to use or hold, the offered shares and warrants in a business carried on in Canada (a “Non-Resident Holder”). Special rules, which are not discussed in this summary, may apply to an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”), the Canada-United States Tax Convention (1980), as amended (the “Canada-U.S. Tax Treaty”), and an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”), published in writing by it prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or any changes in the CRA’s administrative policies or assessing practices, whether by legislative, governmental or judicial action or decision, nor does it take into account or anticipate any other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is not applicable to a Non-Resident Holder who makes or has made a “functional currency” reporting election; or that has entered or enters into a “derivative forward agreement” with respect to the offered shares (each as defined in the Tax Act), including shares acquired by the exercise of the warrants, or the warrants. **Any such Non-Resident Holder should consult its own tax advisor with respect to an investment in the offered shares and warrants. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of the offered shares and warrants, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective purchasers or holders of the offered shares and warrants should consult their own tax advisors with respect to their particular circumstances.**

A Non-Resident Holder who acquires the offered shares and warrants will be required to allocate the purchase price between the offered shares and the warrants on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. Non-Resident Holders should consult their own tax advisers in this regard.

### **Currency Conversion**

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the offered shares and warrants must be converted into Canadian dollars based on the exchange rates as determined in accordance with the Tax Act. The amounts subject to withholding tax and any capital gains or capital losses realized by a Non-Resident Holder may be affected by fluctuations in the Canadian-U.S. dollar exchange rate.

### **Dispositions**

A Non-Resident Holder will not be subject to tax under the Tax Act on the exercise of a warrant or on a disposition of an offered share or warrant, unless the offered share constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

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Provided the offered shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSX and NASDAQ) at the time of disposition, the offered shares will generally not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are satisfied concurrently: (i) (a) the Non-Resident Holder; (b) persons with whom the Non-Resident Holder did not deal at arm’s length; (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; or (d) any combination of the persons and partnerships described in (a) through (c), owned 25% or more of the issued shares of any class or series of the shares of Acasti; and (ii) more than 50% of the fair market value of the shares of Acasti was derived directly or indirectly from one or any combination of: real or immovable property situated in Canada, “Canadian resource properties”, “timber resource properties” (each as defined in the Tax Act), and options in respect of, or interests in or for civil law rights in, such properties. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, the offered shares could be deemed to be taxable Canadian property. Even if the offered shares are taxable Canadian property to a Non-Resident Holder, such Non-Resident Holder may be exempt from tax under the Tax Act on the disposition of such common shares by virtue of an applicable income tax treaty or convention. **A Non Resident Holder contemplating a disposition of offered shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.**

### *Dividends*

Dividends paid or credited on the offered shares (including shares acquired by the exercise of a warrant) or deemed to be paid or credited on the offered shares to a Non-Resident Holder will be subject to Canadian withholding tax under the Tax Act at the rate of 25%, although such rate may be reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder’s country of residence. For example, under the Canada-U.S. Tax Treaty, the applicable rate of Canadian withholding tax is generally reduced to 15%.

**ENFORCEABILITY OF CIVIL LIABILITIES**

We are incorporated under the laws of the Province of Quebec. Substantially all of our assets are located outside the United States. In addition, several of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such persons or to enforce against them or against us, judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, investors should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against us, our officers or directors, or other said persons, predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States or (ii) would enforce, in original actions, liabilities against us or such directors, officers or experts predicated upon the United States federal securities laws or any securities or other laws of any state or jurisdiction of the United States.

Notwithstanding this, we have also been advised by Osler, Hoskin & Harcourt LLP, that there is doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon United States federal securities laws.

We have appointed C T Corporation System as our agent to receive service of process with respect to any action brought against us in the United States.



**EXPERTS**

The financial statements of Acasti as at March 31, 2017 and February 29, 2016, and for the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein and upon the authority of said firm as experts in accounting and auditing.

The audit report covering those financial statements contains an emphasis of matter paragraph that states that Acasti has incurred operating losses and negative cash flows from operations since inception, that its current assets as at March 31, 2017 are projected to be significantly less than needed and that its future operations are dependent on obtaining additional financing, which, along with other matters as set forth in 2(c) in the financial statements, indicate the existence of a material uncertainty that casts substantial doubt about Acasti's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the going concern basis was not appropriate. The audit report also contains an "other matter" paragraph that states that the financial statements of Acasti as at February 28, 2017 and for the twelve-month and one-month periods ended February 28, 2017 and March 31, 2017 respectively are unaudited and we do not express an opinion on them.

**LEGAL MATTERS**

The validity of the common shares being offered by this prospectus and other legal matters concerning this offering relating to Canadian law will be passed upon for us by Osler, Hoskin & Harcourt LLP, Montreal, Quebec, Canada. Certain legal matters in connection with this offering relating to U.S. law will be passed upon for us by Osler, Hoskin & Harcourt LLP, New York, New York. Certain legal matters in connection with this offering will be passed upon for the underwriters by Schiff Hardin LLP, Washington, DC.

## EXCHANGE CONTROLS

Subject to the following paragraph, there is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to non-resident holders of our subordinate voting shares, other than withholding tax requirements.

There is no limitation imposed by Canadian law or by our Articles or our other charter documents on the right of a non-resident to hold or vote voting shares, other than as provided by the Investment Canada Act (Canada), or Investment Canada Act, the North American Free Trade Agreement Implementation Act (Canada), or North American Free Trade Agreement, and the World Trade Organization Agreement Implementation Act. The Investment Canada Act requires notification and, in certain cases, advance review and approval by the Government of Canada of an investment to establish a new Canadian business by a non-Canadian or of the acquisition by a “non-Canadian” of “control” of a “Canadian business”, all as defined in the Investment Canada Act. Generally, the threshold for review will be higher in monetary terms for a member of the World Trade Organization or North American Free Trade Agreement.

Any remittances of dividends to United States residents and to other non-residents are, however, subject to withholding tax. See the sections of this prospectus entitled “Certain U.S. Federal Income Tax Considerations” and “Certain Canadian Federal Income Tax Considerations”.

**ADDITIONAL INFORMATION**

We are subject to the informational requirements of the Exchange Act, and we file reports and other information with the SEC. You may read and copy any of our reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, DC 20549. In addition, the SEC maintains a web site that contains reports and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We are also subject to the full informational requirements of the securities commissions in all provinces of Canada, and you are also invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the Canadian provincial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com), the Canadian equivalent of the SEC's electronic document gathering and retrieval system.

We maintain a corporate website at <http://www.acastipharma.com>. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus.

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Interim Financial Statements of  
(Unaudited)

**ACASTI PHARMA INC.**

Three-month and six-month periods ended September 30, 2017 and August 31, 2016

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# ACASTI PHARMA INC.

Interim Financial Statements  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016

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## Acasti Pharma inc.

Interim Statements of Financial Position  
(Unaudited)

As at September 30, 2017 and March 31, 2017

	Notes	September 30, 2017	March 31, 2017
<i>(thousands of Canadian dollars)</i>		\$	\$
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		5,329	9,772
Receivables		243	206
Prepaid expenses		280	303
		5,852	10,281
Equipment		2,678	2,787
Intangible assets		11,227	12,388
<b>Total assets</b>		<b>19,757</b>	<b>25,456</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Trade and other payables		3,323	2,126
Payable to parent corporation		68	12
		3,391	2,138
Derivative warrant liabilities	5	51	209
Unsecured convertible debentures		1,509	1,406
<b>Total liabilities</b>		<b>4,951</b>	<b>3,753</b>
Equity:			
Share capital		66,633	66,576
Other equity		309	309
Contributed surplus		6,024	5,693
Deficit		(58,160)	(50,875)
<b>Total equity</b>		<b>14,806</b>	<b>21,703</b>
Commitments and contingencies	11		
<b>Total liabilities and equity</b>		<b>19,757</b>	<b>25,456</b>

See accompanying notes to unaudited interim financial statements.



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## ACASTI PHARMA INC.

Interim Statements of Earnings and Comprehensive Loss  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016

	Notes	Three-month periods ended		Six-month periods ended	
		September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
<i>(thousands of Canadian dollars, except per share data)</i>					
		\$	\$	\$	\$
Research and development expenses, net	7	(3,349)	(1,594)	(5,331)	(3,987)
General and administrative expenses		(1,036)	(856)	(1,853)	(1,422)
Loss from operating activities		(4,385)	(2,450)	(7,184)	(5,409)
Financial (expenses) income	8	(146)	55	(259)	(173)
Change in fair value of warrant liabilities	5	24	66	158	98
Net financial income (expenses)		(122)	121	(101)	(75)
Net loss and total comprehensive loss		(4,507)	(2,329)	(7,285)	(5,484)
Basic and diluted loss per share		(0.31)	(0.22)	(0.49)	(0.51)
Weighted average number of shares outstanding		14,723,995	10,712,038	14,717,693	10,712,038

See accompanying notes to unaudited interim financial statements

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## ACASTI PHARMA INC.

Interim Statements of Changes in Equity  
(Unaudited)

Six-month periods ended September 30, 2017 and August 31, 2016

	Notes	Number	Share capital		Other equity	Contributed surplus	Deficit	Total
			Dollar					
<i>(thousands of Canadian dollars)</i>								
			\$		\$	\$	\$	\$
Balance, March 31, 2017		14,702,556	66,576		309	5,693	(50,875)	21,703
Net loss and total comprehensive loss for the period		—	—		—	—	(7,285)	(7,285)
		14,702,556	66,576		309	5,693	(58,160)	14,418
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to equity holders</i>								
Share-based payment transactions	9	—	—		—	331	—	331
Issuance of shares for payment of interest on convertible debentures	6(a)	33,381	57		—	—	—	57
Total contributions by and distributions to equity holders		33,381	57		—	331	—	388
Balance at September 30, 2017		14,735,937	66,633		309	6,024	(58,160)	14,806

	Notes	Number	Share capital		Other equity	Contributed surplus	Deficit	Total
			Dollar					
<i>(thousands of Canadian dollars)</i>								
			\$		\$	\$	\$	\$
Balance, February 29, 2016		10,712,038	61,973		—	4,875	(39,628)	27,220
Net loss and total comprehensive loss for the period		—	—		—	—	(5,484)	(5,484)
		10,712,038	61,973		—	4,875	(45,112)	21,736
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to equity holders</i>								
Share-based payment transactions	9	—	—		—	275	—	275
Total contributions by and distributions to equity holders		—	—		—	275	—	275
Balance at August 31, 2016		10,712,038	61,973		—	5,150	(45,112)	22,011

See accompanying notes to unaudited interim financial statements.

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# ACASTI PHARMA INC.

Interim Statements of Cash Flows  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016

	Notes	Three-month periods ended		Six-month periods ended	
		September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
<i>(thousands of Canadian dollars)</i>					
		\$	\$	\$	\$
<b>Cash flows used in operating activities:</b>					
Net loss for the period		(4,507)	(2,329)	(7,285)	(5,484)
<b>Adjustments:</b>					
Amortization of intangible assets		581	581	1,161	1,161
Depreciation of equipment		86	34	173	62
Stock-based compensation	9	295	210	331	275
Net financial expenses (income)	8	122	(121)	101	75
Realized foreign exchange gain		33	26	52	53
		(3,390)	(1,599)	(5,467)	(3,858)
Changes in non-cash operating items	10	1,330	687	1,761	875
<b>Net cash used in operating activities</b>		<b>(2,060)</b>	<b>(912)</b>	<b>(3,706)</b>	<b>(2,983)</b>
<b>Cash flows from (used in) investing activities:</b>					
Interest received		14	11	30	22
Acquisition of equipment	10	(90)	(542)	(187)	(1,053)
Acquisition of short-term investments		—	(903)	—	(9,266)
Maturity of short-term investments		—	3,834	—	13,212
<b>Net cash from (used in) investing activities</b>		<b>(76)</b>	<b>2,400</b>	<b>(157)</b>	<b>2,915</b>
<b>Cash flows used in financing activities:</b>					
Payment of public offering transaction costs		—	—	(381)	—
Payment of private placement transaction costs		—	—	(40)	—
Interest paid		(1)	(3)	(1)	(15)
<b>Net cash used in financing activities</b>		<b>(1)</b>	<b>(3)</b>	<b>(422)</b>	<b>(15)</b>
Foreign exchange on cash and cash equivalents held in foreign currencies		(101)	17	(158)	(51)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(2,238)</b>	<b>1,502</b>	<b>(4,443)</b>	<b>(134)</b>
Cash and cash equivalents, beginning of period		7,567	1,391	9,772	3,027
Cash and cash equivalents, end of period		5,329	2,893	5,329	2,893
<b>Cash and cash equivalents is comprised of:</b>					
Cash		920	2,893	920	2,893
Cash equivalents		4,409	—	4,409	—

See accompanying notes to unaudited interim financial statements.

# ACASTI PHARMA INC.

Notes to Interim Financial Statements  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
(thousands of Canadian dollars, except where noted and for share and per share amounts)

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## 1. Reporting entity:

Acasti Pharma Inc. (**Acasti** or the **Corporation**) is incorporated under the *Business Corporations Act* (Québec) (formerly Part 1A of the *Companies Act* (Québec)). The Corporation is domiciled in Canada and its registered office is located at 545, Promenade du Centropolis, Laval, Québec, H7T 0A3. Neptune Technologies and Bioressources Inc. (**Neptune** or the **parent**) currently owns approximately 34% of the issued and outstanding Class A shares (**Common Shares**) of the Corporation. The Corporation, Neptune and Biodroga Nutraceuticals Inc., a subsidiary of Neptune, are collectively referred to as the “Group”.

Pursuant to a license agreement entered into with Neptune in August 2008, as amended, Acasti has been granted an exclusive worldwide license to use Neptune’s intellectual property to develop, clinically study and market new pharmaceutical and medical food products to treat human cardiovascular conditions. Neptune’s intellectual property is related to the extraction of ingredients from marine biomasses, such as krill. The eventual products are aimed at applications in the prescription drug, over-the-counter medicine and medical foods markets. In December 2012, the Corporation entered into a prepayment agreement with Neptune pursuant to which the Corporation exercised its option under the License Agreement to pay in advance all of the future royalties payable under the license which was exercised in fiscal 2014. As a result of the royalty prepayment, Acasti is no longer required to pay any royalties to Neptune under the License Agreement during its term for the use of the intellectual property under license. The license allows Acasti to exploit the intellectual property rights in order to develop novel active pharmaceutical ingredients (“APIs”) into commercial products for the prescription drugs and the medical food markets. On August 8, 2017, Neptune announced the sale of its krill oil inventory and intellectual property to Aker BioMarine Antarctic AS (**Aker**). Aker then licensed the intellectual property back to Neptune, leaving the License Agreement between Acasti and Neptune in place and unchanged. The license Agreement allows Acasti the “freedom to operate” for CaPre, which is currently the Corporation’s only prescription drug candidate in development. There are diligence obligations with respect to the Corporation’s use of licensed technology in relation to the development and commercialization of Acasti’s product candidate.

The Corporation is subject to a number of risks associated with the conduct of its clinical program and its results, the establishment of strategic alliances and the successful development of new pharmaceutical products and their marketing. The Corporation has incurred significant operating losses and negative cash flows from operations since inception. To date, the Corporation has financed its operations through the public offering and private placement of Common Shares and convertible debt, the proceeds from research grants and research tax credits, and the exercises of warrants, rights and options. To achieve the objectives of its business plan, Acasti plans to raise the necessary funds through additional securities offerings and the establishment of strategic alliances as well as additional research grants and research tax credits. The Corporation anticipates that the products developed by the Corporation will require approval from the U.S Food and Drug Administration and equivalent regulatory organizations in other countries before their sale can be authorized. The ability of the Corporation to ultimately achieve profitable operations is dependent on a number of factors outside of the Corporation’s control.

## 2. Basis of preparation:

### (a) Statement of compliance:

These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and on a basis consistent with those accounting policies followed by the Corporation and disclosed in note 3 of its most recent audited annual financial statements. Certain information, in particular the accompanying notes, normally included in the annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, the condensed interim financial statements do not include all of the information required for full annual financial statements, and therefore, should be read in conjunction with the audited financial statements and the notes thereto for the year ended March 31, 2017.

Beginning in fiscal 2017, the Corporation’s fiscal year end is on March 31. As a result, the above financial statements and corresponding notes to financial statements include two different three-month and six-month periods: the three-month and six-month periods ended September 30, 2017 and the three-month and six-month periods ended August 31, 2016. Financial information for the three-month and six-month periods ended September 30, 2016 have not been included in these financial statements for the following reasons: (i) the three-month and six-month periods ended August 31, 2016 provide a meaningful comparison for the three-month and six-month periods ended September 30, 2017; (ii) there are no significant factors, seasonal or otherwise, that would impact the comparability of information if the results for the three-month and six-month periods ended September 30, 2016 were presented in lieu of results for the three-month and six-month periods ended August 31, 2016; and (iii) it was not practicable or cost justified to prepare this information.

The financial statements were authorized for issue by the Board of Directors on November 13, 2017.

## ACASTI PHARMA INC.

Notes to Interim Financial Statements  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
(thousands of Canadian dollars, except where noted and for share and per share amounts)

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### 2. Basis of preparation (continued):

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for:

- Stock-based compensation which is measured pursuant to IFRS 2, *Share-based payments* (note 9); and,
- Derivative warrant liabilities measured at fair value on a recurring basis (note 5).

(c) Going concern uncertainty:

The Corporation has incurred operating losses and negative cash flows from operations since inception. The Corporation's current assets of \$5.9 million as at September 30, 2017 include cash and cash equivalents totalling \$5.3 million, mainly generated by the net proceeds from the Public Offering and Private Placement completed on February 21, 2017. The Corporation's liabilities total \$5.0 million at September 30, 2017 and are comprised primarily of \$3.4 million in amounts due to or accrued for creditors and \$1.5 million for unsecured convertible debentures. The Corporation's positive working capital balance has declined since the Previous Offerings and is expected to continue to decline until the Corporation raises additional funds or finds a strategic partner. The Corporation's current assets as at this date are projected to be significantly less than needed to support the current liabilities as at that date when combined with the projected level of expenses for the next twelve months, including not only the preparation for, but the planned site activation of and patient treatment within the Phase 3 clinical study program for its drug candidate, CaPre. Additional funds will also be needed for the expected expenses for the total CaPre Phase 3 research and development phase beyond the next twelve months. The Corporation is working towards development of strategic partner relationships and plans to raise additional funds in the near future, but there can be no assurance as to when or whether Acasti will complete any financing or strategic collaborations. In particular, raising financing is subject to market conditions and is not within the Corporation's control. If the Corporation does not raise additional funds or find one or more strategic partners, it may not be able to realize its assets and discharge its liabilities in the normal course of business. As a result, there exists a material uncertainty that casts substantial doubt about the Corporation's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business. The Corporation currently has no other arranged sources of financing.

The financial statements have been prepared on a going concern basis, which assumes the Corporation will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. These financial statements do not include any adjustments to the carrying values and classification of assets and liabilities and reported expenses that may be necessary if the going concern basis was not appropriate for these financial statements. If the Corporation was unable to continue as a going concern, material write-downs to the carrying values of the Corporation's assets, including the intangible asset, could be required.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(e) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## ACASTI PHARMA INC.

Notes to Interim Financial Statements  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
(thousands of Canadian dollars, except where noted and for share and per share amounts)

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### 2. Basis of preparation (continued):

- (e) Use of estimates and judgments (continued):

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

- Identification of triggering events indicating that the intangible assets might be impaired.
- The use of the going concern basis of preparation of the financial statements. At the end of each reporting period, management assesses the basis of preparation of the financial statements (Note 2(c)).

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include the following:

- Determination of the recoverable amount of the Corporation's cash generating unit ("CGU").
- Measurement of derivative warrant liabilities (note 5) and share-based payments (note 9).

Also, management uses judgment to determine which research and development ("R&D") expenses qualify for R&D tax credits and in what amounts. The Corporation recognizes the tax credits once it has reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

### 3. Significant accounting policies:

The accounting policies and basis of measurement applied in these interim financial statements are the same as those applied by the Corporation in its financial statements for the year ended March 31, 2017.

New standards and interpretations not yet adopted:

- (i) Financial instruments:

On July 24, 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, *Financial Instruments*, which addresses the classification and measurement of financial assets and liabilities, impairment and hedge accounting, replacing IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on April 1, 2018. The Corporation has not yet assessed the impact of adoption of IFRS 9, and does not intend to early adopt IFRS 9 in its financial statements.

- (ii) Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions:

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-Based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. Earlier application is permitted. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early application is permitted if information is available without the use of hindsight. 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 of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The Corporation has not yet assessed the impact of adoption of the amendments of IFRS 2, and does not intend to early adopt these amendments in its financial statements.

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## ACASTI PHARMA INC.

Notes to Interim Financial Statements  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
(thousands of Canadian dollars, except where noted and for share and per share amounts)

#### 4. Related parties:

(a) Administrative and research and development expenses:

The Corporation intends to continue to rely on the support of Neptune for a portion of its general and administrative needs; however, the continuance of this support is outside of the Corporation's control.

During the three-month and six-month periods ended September 30, 2017 and August 31, 2016, the Corporation was charged by Neptune for the purchase of research supplies, for certain costs incurred by Neptune for the benefit of the Corporation and for a shared service agreement as follows:

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
<b>Research and development expenses</b>				
Supplies and incremental costs	—	—	6	—
Shared service agreement	8	9	20	9
	8	9	26	9
<b>General and administrative expenses</b>				
Supplies and incremental costs	56	57	109	108
Shared service agreement	37	75	87	150
	93	132	196	258
	101	141	222	267

Where Neptune incurs specific incremental costs for the benefit of the Corporation, it charges those amounts directly. Costs that benefit more than one entity of the Group are charged by allocating a fraction of costs incurred by Neptune that is commensurate to the estimated fraction of services or benefits received by each entity for those items. In addition, Neptune provides Acasti with the services of personnel for its administrative, legal and laboratory work as part of a shared service agreement. The employees' salaries and benefits are charged proportionally to the time allocation agreed upon within the shared service agreement. In the three-month period ended September 30, 2017, the laboratory support, the corporate affairs and the public company reporting services previously provided by Neptune as part of the shared service agreement were discontinued. The Corporation is now incurring some incremental costs and expects to do so in the future, partially offset by reduced shared service fees.

Historically, Neptune has provided the Corporation with the krill oil needed to produce CaPre for Acasti's clinical programs, including all of the krill oil projected as needed for its Phase 3 clinical study program. However, in light of Neptune's recent announcement of its plan to discontinue krill oil production and the sale of its krill oil inventory to Aker, the Corporation is evaluating alternative suppliers of krill oil.

These charges do not represent all charges incurred by Neptune that may have benefited the Corporation. Also, these charges do not necessarily represent the cost that the Corporation would otherwise need to incur, should it not receive these services or benefits through the shared resources of Neptune.

The Corporation purchased from the parent company research and development supplies of which \$25 as at September 30, 2017 is recorded in prepaid expenses and will be expensed as used.

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## ACASTI PHARMA INC.

Notes to Interim Financial Statements  
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Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
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#### 4. Related parties (continued):

(b) Interest revenue:

On January 7, 2016 Neptune announced the acquisition of Biodroga Nutraceuticals Inc. As part of this transaction, the Corporation pledged an amount of \$2 million ("Committed Funds") to partly guarantee the financing of this transaction ("Pledge Agreement"). Neptune had agreed to pay Acasti an annual fee on the Committed Funds outstanding at an annual rate of 9% during the first six months and 11% for the remaining term of the Pledge Agreement. On September 20, 2016, Neptune fully released the pledged amount. The Corporation recognized interest revenue related to this arrangement in the amount of nil for the three-month and six-month periods ended September 30, 2017 and \$38 and \$83 for the three- month and six-month periods ended August 31, 2016.

(c) Payable to parent corporation:

Payable to parent corporation, primarily for general and administrative shared services, has no specified maturity date for payment or reimbursement and does not bear interest.

(d) Key management personnel compensation:

The key management personnel are the officers of the Corporation, the members of the Board of Directors of the Corporation and of the parent company. They control in the aggregate less than 2% of the voting shares of the Corporation (2% at August 31, 2016).

Key management personnel compensation includes the following for the three-month and six-month periods ended September 30, 2017 and August 31, 2016:

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Short-term salaries and benefits	345	286	705	557
Share-based compensation costs	264	198	286	244
	609	484	991	801



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## ACASTI PHARMA INC.

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(Unaudited)

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### 5. Derivative warrant liabilities:

Warrants issued as part of a public offering of units composed of class A share (Common Share) and Common Share purchase warrants in 2014 are derivative liabilities ("Derivative warrant liabilities") given the currency of the exercise price is different from the Corporation's functional currency.

The derivative warrant liabilities are measured at fair value at every reporting period and the reconciliation of changes in fair value for the six-month periods ended September 30, 2017 and August 31, 2016 is presented in the following table:

	Six-month periods ended	
	September 30, 2017	August 31, 2016
	\$	\$
Balance – beginning of period	209	156
Change in fair value of derivative warrant liabilities	(158)	(98)
Balance – end of period	51	58

The fair value of the derivative warrant liabilities was estimated using the Black-Scholes option pricing model and based on the following assumptions:

	September 30, 2017	March 31, 2017
Exercise price	US \$1.50	US \$1.50
Share price <sup>(1)</sup>	US \$1.42	US \$1.36
Risk-free interest	1.35%	1.22%
Estimated life	1.18 years	1.68 years
Expected volatility	100.5%	108.4%

(1) In order to obtain one Common Share, 10 warrants must be exercised.

The fair value of the warrants issued was determined to be \$0.03 per share issuable as at September 30, 2017 (0.11 per share issuable as at March 31, 2017).

### 6. Capital and other components of equity:

(a) Issuance of shares:

The following table summarizes the shares issued to settle the payment of accrued interest on the unsecured convertible debentures with the corresponding amount recorded to share capital.

Accrued interest as at	Share issuance date	Number of shares	Amount
			\$
March 31, 2017	April 7, 2017	9,496	17
June 30, 2017	August 15, 2017	23,885	40
		33,381	57

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## ACASTI PHARMA INC.

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### 6. Capital and other components of equity (continued):

(b) Warrants:

The warrants of the Corporation are composed of the following as at September 30, 2017 and March 31, 2017:

	September 30, 2017		March 31, 2017	
	Number outstanding	Amount \$	Number outstanding	Amount \$
<b>Liability</b>				
Series 8 Public offering				
Warrants 2014 (i)	18,400,000	51	18,400,000	209
	18,400,000	51	18,400,000	209
<b>Equity</b>				
Public offering warrants				
Public offering warrants 2017 (ii)	1,965,259	—	1,965,259	—
Series 2017-BW Broker warrants (iii)	234,992	144	234,992	144
Private Placement – contingent warrants				
2017 Unsecured convertible debenture conversion option and contingent warrants (iv)	1,052,630	309	1,052,630	309
Series 9 Private Placement warrants 2014 (v)	161,654	—	161,654	—
	3,414,535	453	3,414,535	453

- (i) In order to obtain one Common Share of the Corporation at an exercise price of US\$15.00, 10 warrants must be exercised. Warrants expire on December 3, 2018.
- (ii) Warrant to acquire one Common Share of the Corporation at an exercise price of \$2.15, expiring on February 21, 2022.
- (iii) Warrant to acquire one Common Share of the Corporation at an exercise price of \$2.15 expiring on February 21, 2018.
- (iv) Warrant to acquire one Common Share of the Corporation at an exercise price of \$1.90 expiring on February 21, 2020, net of deferred tax expense of \$129.
- (v) Warrant to acquire one Common Share of the Corporation at an exercise price of \$13.30, expiring on December 3, 2018.

### 7. Government assistance:

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Investment tax credit	37	23	59	47
Government grant	1	12	1	47
	38	35	60	94

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## ACASTI PHARMA INC.

Notes to Interim Financial Statements  
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Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
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### 8. Financial (expenses) income:

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Financial income – Interest	14	47	30	106
Foreign exchange (loss) gain	(68)	10	(104)	(264)
Interest payable on convertible debenture	(41)	—	(80)	—
Accretion of interest on convertible debenture	(51)	—	(103)	—
Other charges	—	(2)	(2)	(15)
Financial (expenses) income	(160)	8	(289)	(279)
Net financial (expenses) income	(146)	55	(259)	(173)

### 9. Share-based payment:

At September 30, 2017 the Corporation has the following share-based payment arrangements:

Corporation stock option plan:

The Corporation has in place a stock option plan for directors, officers, employees and consultants of the Corporation (Stock Option Plan). The plan provides for the granting of options to purchase Class A shares (Common Shares). The exercise price of the stock options granted under this plan is not lower than the closing price of the shares listed on the TSXV at the close of markets the day preceding the grant. Under this plan, the maximum number of Class A shares (Common Shares) that may be issued upon exercise of options granted under the plan is 2,940,511, representing 20% of the number of Class A shares (Common Shares) issued and outstanding as at March 31, 2017. The terms and conditions for acquiring and exercising options are set by the Corporation's Board of Directors, subject among others, to the following limitations: the term of the options cannot exceed ten years and every stock option granted under the stock option plan will be subject to conditions no less restrictive than a minimum vesting period of 18 months and a gradual and equal acquisition of vesting rights not shorter than on a quarterly basis. The total number of shares issued to any one consultant cannot exceed 2% of the Corporation's total issued and outstanding shares. The Corporation is not authorized to grant such number of options under the stock option plan that could result in a number of Class A shares (Common Shares) issuable pursuant to options granted to (a) related persons exceeding 10% of the Corporation's issued and outstanding Class A shares (Common Shares) (on a non-diluted basis) on the date an option is granted, or (b) any one eligible person in a twelve month period exceeding 5% of the Corporation's issued and outstanding Class A shares (Common Shares) (on a non-diluted basis) on the date an option is granted.

The following table summarizes information about activities within the stock option plan for the six-month periods ended:

	September 30, 2017		August 31, 2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	\$		\$	
Outstanding at beginning of period	2.58	1,424,788	13.52	454,151
Granted	1.75	1,121,500	1.72	835,400
Forfeited	2.17	(92,600)	14.13	(128,750)
Expired	20.82	(51,500)	14.65	(123,000)
Outstanding at end of period	1.82	2,402,188	3.81	1,037,801
Exercisable at end of period	2.16	394,346	11.92	197,845

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## ACASTI PHARMA INC.

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### 9. Share-based payment (continued):

Corporation stock option plan (continued):

The fair value of options granted has been estimated according to the Black-Scholes option pricing model and based on the weighted average of the following assumptions for options granted during the six-month periods ended:

	September 30, 2017	August 31, 2016
Exercise price	\$1.75	\$1.72
Share price	\$1.75	\$1.72
Risk-free interest	1.21%	0.70%
Estimated life	5.89 years	4.38 years
Expected volatility	82.4%	75.5%

The weighted average fair value of the options granted to employees and directors during the six-month period ended September 30, 2017 was \$1.22 (six-month period ended August 31, 2016 - \$0.99) and no options were granted to consultants. For the three-month and six-month periods ended September 30, 2017, the Corporation recognized stock-based compensation under this plan in the amount of \$295 and \$331, respectively (three-month and six-months periods ended August 31, 2016 - \$210 and \$275 respectively).

*Share-based payment transactions and broker warrants:*

The fair value of share-based payment transaction is measured using the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour unless no entity-specific information exists in which case the average of the vesting and contractual periods is used), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions, if any, are not taken into account in determining fair value.

### 10. Supplemental cash flow disclosure:

(a) Changes in non-cash operating items:

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Receivables	(133)	56	(37)	230
Prepaid expenses	26	590	23	220
Trade and other payables	1,445	(121)	1,719	235
Receivable from/payable to parent corporation	(8)	162	56	190
	1,330	687	1,761	875

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## ACASTI PHARMA INC.

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### 10. Supplemental cash flow disclosure (continued):

(b) Non-cash transactions:

	Three-month periods ended		Six-month periods ended	
	September 30, 2017	August 31, 2016	September 30, 2017	August 31, 2016
	\$	\$	\$	\$
Equipment included in trade and other Payables	165	—	165	—
Interest payable included in trade and other payables	40	—	40	—
Interest receivable included in payable to Parent corporation	—	83	—	83

### 11. Commitments and contingencies:

#### *Research and development agreements:*

In the normal course of business, the Corporation has signed agreements with various suppliers for them to execute research and development projects and to produce certain tools and equipment. The Corporation has reserved certain rights relating to these projects.

The Corporation initiated research and development projects that are planned to be conducted over the next 12-month period. As at September 30, 2017, of these research and development agreements, an amount of \$1,608 is included in “Trade and other payables” and an amount of \$2,786 remains a future commitment.

The Corporation has also entered into a contract to purchase production equipment to be used in the manufacturing of the clinical and future commercial supply of CaPre®. As at September 30, 2017, of this equipment, an amount of \$165 is included in “Trade and other payables” and an amount of \$283 remains a future commitment.

#### *Contingencies:*

A former CEO of the Corporation is claiming the payment of approximately \$8.5 million and the issuance of equity instruments from the Group. As the Corporation’s management believes that these claims are not valid, no provision has been recognized. Neptune and its subsidiaries also filed an additional claim to recover certain amounts from the former officer. All outstanding share-based payments held by the former CEO have been cancelled during the year ended February 28, 2015.

## ACASTI PHARMA INC.

Notes to Interim Financial Statements  
(Unaudited)

Three-month and six-month periods ended September 30, 2017 and August 31, 2016  
(thousands of Canadian dollars, except where noted and for share and per share amounts)

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### 11. Commitments and contingencies (continued):

*Contingencies:* (continued):

The Corporation is also involved in other matters arising in the ordinary course of its business. Since management believes that all related claims are not valid and it is presently not possible to determine the outcome of these matters, no provisions have been made in the financial statements for their ultimate resolution beyond the amounts incurred and recorded for such matters. The resolution of such matters could have an effect on the Corporation's financial statements in the year that a determination is made, however, in management's opinion, the final resolution of all such matters is not projected to have a material adverse effect on the Corporation's financial position.

### 12. Determination of fair values:

Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

*Financial assets and liabilities:*

In establishing fair value, the Corporation uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

The Corporation has determined that the carrying values of its short-term financial assets and liabilities approximate their fair value given the short-term nature of these instruments. The fair value of the liability component of the convertible debenture is determined by discounting future cash flows using a rate that the Corporation could obtain for loans with similar terms, conditions and maturity dates. The fair value of this liability at September 30, 2017 approximates the carrying amount and was measured using level 3 inputs.

*Derivative warrant liabilities:*

The Corporation measured its derivative warrant liabilities at fair value on a recurring basis. These financial liabilities were measured using a level 3 inputs (note 5).

As at September 30, 2017, the effect of an increase or a decrease of 5% of the volatility used, which is the significant unobservable input in the fair value estimate, would result in a loss of \$19 or a gain of \$15, respectively.

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Financial Statements of

**ACASTI PHARMA INC.**

For the thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

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## INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Acasti Pharma Inc.

We have audited the accompanying financial statements of Acasti Pharma Inc., which comprise the statements of financial position as at March 31, 2017 and February 29, 2016, the statements of earnings and comprehensive loss, changes in equity and cash flows for the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Acasti Pharma Inc. as at March 31, 2017 and February 29, 2016, and its financial performance and its cash flows for the thirteen-month period ended March 31, 2017 and years ended February 29, 2016 and February 28, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Other matter*

The financial statements of Acasti Pharma Inc. as at February 28, 2017 and for the twelve-month and one-month periods ended February 28, 2017 and March 31, 2017 respectively are unaudited. Accordingly, we do not express an opinion on them.

### *Emphasis of matter*

Without qualifying our opinion, we draw attention to Note 2(c) in the financial statements which indicates that Acasti Pharma Inc. has incurred operating losses and negative cash flows from operations since inception, that the Corporation's current assets as at March 31, 2017 are projected to be significantly less than needed and that its future operations are dependent on obtaining additional financing and on the continued support of its parent corporation for a portion of its general and administrative needs. These conditions, along with other matters as set forth in 2(c) in the financial statements, indicate the existence of a material uncertainty that casts substantial doubt about Acasti Pharma Inc.'s ability to continue as a going concern.

/s/ KPMG LLP\*

June 6, 2017

Montréal, Canada

\*CPA auditor, C.A., public accountancy permit No. A119178

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# ACASTI PHARMA INC.

## Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

### Financial Statements

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## ACASTI PHARMA INC.

Statements of Financial Position

March 31, 2017, February 28, 2017 and February 29, 2016

	Notes	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016
		\$	\$	\$
<i>(thousands of Canadian dollars)</i>				
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	22	9,772	10,573	3,027
Short-term investments		—	—	7,443
Receivables	4	206	166	399
Prepaid expenses		209	176	456
		10,187	10,915	11,325
Restricted short-term investment	5(b)	—	—	2,000
Equipment	7	2,881	2,870	287
Intangible assets	8	12,388	12,582	14,905
<b>Total assets</b>		<b>25,456</b>	<b>26,367</b>	<b>28,517</b>
<b>Liabilities and Equity</b>				
Current liabilities:				
Trade and other payables	9	2,126	2,390	1,126
Payable to parent corporation	5(c)	12	15	15
		2,138	2,405	1,141
Derivative warrant liabilities	10, 12(d)	209	187	156
Unsecured convertible debentures	11	1,406	1,389	—
<b>Total liabilities</b>		<b>3,753</b>	<b>3,981</b>	<b>1,297</b>
Equity:				
Share capital	12	66,576	66,576	61,973
Other equity	11	309	309	—
Contributed surplus		5,693	5,607	4,875
Deficit		(50,875)	(50,106)	(39,628)
<b>Total equity</b>		<b>21,703</b>	<b>22,386</b>	<b>27,220</b>
Commitments and contingencies	20			
<b>Total liabilities and equity</b>		<b>25,456</b>	<b>26,367</b>	<b>28,517</b>

See accompanying notes to financial statements.

On behalf of the Board:

*/s/ Dr. Roderick Carter*  
Roderick Carter  
Chair of the Board

*/s/ Jean-Marie Canan*  
Jean-Marie Canan  
Director

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## ACASTI PHARMA INC.

### Statements of Earnings and Comprehensive Loss

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

		Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	Notes	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
<i>(thousands of Canadian dollars, except per share data )</i>						
		\$	\$	\$	\$	\$
Research and development expenses, net of government assistance of \$330 (March 2017 - \$45 (unaudited); February 2017- \$285 (unaudited), 2016 - \$349, 2015 - \$264)		(7,653)	(426)	(7,227)	(7,566)	(8,822)
General and administrative expenses		(3,557)	(292)	(3,265)	(2,046)	(3,573)
Loss from operating activities		(11,210)	(718)	(10,492)	(9,612)	(12,395)
Financial (expenses) income	14	(113)	(29)	(84)	1,094	1,916
Change in fair value of warrant liabilities	10	(53)	(22)	(31)	2,201	8,824
Net financial (expenses) income		(166)	(51)	(115)	3,295	10,740
Net loss and comprehensive loss before income tax		(11,376)	(769)	(10,607)	(6,317)	(1,655)
Deferred income tax recovery		129	—	129	—	—
Net loss and total comprehensive loss		(11,247)	(769)	(10,478)	(6,317)	(1,655)
Basic and diluted loss per share	16	(1.01)	(0.05)	(0.97)	(0.59)	(0.16)
Weighted average number of shares outstanding		11,094,512	14,702,556	10,788,075	10,659,936	10,617,704

See accompanying notes to financial statements

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## ACASTI PHARMA INC.

### Statements of Changes in Equity

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

	Notes	Number	Share capital	Other equity	Contributed surplus	Deficit	Total
			Dollar				
<i>(thousands of Canadian dollars)</i>							
			\$	\$	\$	\$	\$
Balance, February 29, 2016		10,712,038	61,973	—	4,875	(39,628)	27,220
Net loss and total comprehensive loss for the twelve-month period (unaudited)		—	—	—	—	(10,478)	(10,478)
Net loss and total comprehensive loss for the one-month period (unaudited)		—	—	—	—	(769)	(769)
Net loss and total comprehensive loss for the thirteen-month period		—	—	—	—	(11,247)	(11,247)
		10,712,038	61,973	—	4,875	(50,875)	15,973
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to equity holders</i>							
Public offering	12(b)	3,930,518	4,509	—	144	—	4,653
Issue of unsecured convertible debentures, net of deferred income tax expense of \$129	11,18	—	—	309	—	—	309
Equity settled non-employee share-based payment	12(b)	60,000	94	—	—	—	94
Share-based payment transactions for the twelve-month period (unaudited)	15	—	—	—	588	—	588
Share-based payment transactions for the one-month period (unaudited)	15	—	—	—	86	—	86
Share-based payment transactions for the thirteen-month period	15	—	—	—	674	—	674
Total contributions by and distributions to equity holders for the twelve-month period (unaudited)		3,990,518	4,603	309	732	—	5,644
Total contributions by and distributions to equity holders for the one-month period (unaudited)		—	—	—	86	—	86
Total contributions by and distributions to equity holders for the thirteen-month period		3,990,518	4,603	309	818	—	5,730
Balance at February 28, 2017 (unaudited)		14,702,556	66,576	309	5,607	(50,106)	22,386
Balance at March 31, 2017		14,702,556	66,576	309	5,693	(50,875)	21,703

See accompanying notes to financial statements.

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## ACASTI PHARMA INC.

### Statements of Changes in Equity, Continued

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

	Notes	Share capital		Other equity	Contributed surplus	Deficit	Total
		Amount	Dollar				
<i>(thousands of Canadian dollars)</i>							
			\$	\$	\$	\$	\$
Balance, February 28, 2015		10,644,440	61,628	—	4,911	(33,311)	33,228
Net loss and total comprehensive loss for the year		—	—	—	—	(6,317)	(6,317)
		10,644,440	61,628	—	4,911	(39,628)	26,911
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to equity holders</i>							
Share-based payment transactions	15	—	—	—	309	—	309
Issuance of shares	12(c)	50,000	101	—	(102)	—	(1)
Share options exercised	15	250	1	—	—	—	1
RSUs released		17,348	243	—	(243)	—	—
Total contributions by and distributions to equity holders		67,598	345	—	(36)	—	309
Balance at February 29, 2016		10,712,038	61,973	—	4,875	(39,628)	27,220

	Notes	Share capital		Other equity	Contributed surplus	Deficit	Total
		Amount	Dollar				
<i>(thousands of Canadian dollars)</i>							
			\$	\$	\$	\$	\$
Balance, February 28, 2014		10,586,258	61,027	407	3,502	(31,656)	33,280
Net loss and total comprehensive loss for the year		—	—	—	—	(1,655)	(1,655)
		10,586,258	61,027	407	3,502	(33,311)	31,625
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to equity holders</i>							
Share-based payment transactions	15	—	—	—	1,553	—	1,553
Share options exercised	15	20,000	50	—	—	—	50
RSUs released		38,182	551	—	(551)	—	—
Expiration of warrants		—	—	(407)	407	—	—
Total contributions by and distributions to equity holders		58,182	601	(407)	1,409	—	1,603
Balance at February 28, 2015		10,644,440	61,628	—	4,911	(33,311)	33,228

See accompanying notes to financial statements.

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# ACASTI PHARMA INC.

## Statements of Cash Flows

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

		Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	Notes	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
<i>(thousands of Canadian dollars)</i>		\$	\$	\$	\$	\$
<b>Cash flows used in operating activities:</b>						
Net loss for the period		(11,247)	(769)	(10,478)	(6,317)	(1,655)
<b>Adjustments:</b>						
Depreciation of equipment	7	221	32	189	59	4
Amortization of intangible assets	8	2,517	194	2,323	2,336	2,331
Impairment loss related to intangible assets	8	—	—	—	339	—
Stock-based compensation	15	674	86	588	309	1,553
Net financial expenses (income)	14	166	51	115	(3,295)	(10,740)
Realized foreign exchange gain (loss)		48	(12)	60	36	3
Deferred income tax recovery		(129)	—	(129)	—	—
		(7,750)	(418)	(7,332)	(6,533)	(8,504)
Changes in non-cash operating items	17	792	(328)	1,120	(41)	1,306
<b>Net cash used in operating activities</b>		<b>(6,958)</b>	<b>(746)</b>	<b>(6,212)</b>	<b>(6,574)</b>	<b>(7,198)</b>
<b>Cash flows from (used in) investing activities:</b>						
Interest received		150	4	146	114	41
Acquisition of equipment	7, 17	(2,527)	(24)	(2,503)	(276)	(35)
Acquisition of intangible assets	8	—	—	—	(92)	(51)
Acquisition of short-term investments		(12,765)	—	(12,765)	(11,954)	(14,478)
Maturity of short-term investments		22,030	—	22,030	20,437	22,150
<b>Net cash (used in) investing activities</b>		<b>6,888</b>	<b>(20)</b>	<b>6,908</b>	<b>8,229</b>	<b>7,627</b>
<b>Cash flows from (used in) financing activities:</b>						
Net proceeds from public offering	12(b)	5,010	(34)	5,044	—	—
Net proceeds from private placement	11, 12(c)	1,872	(10)	1,882	—	—
Proceeds from exercise of warrants and options		—	—	—	—	50
Share issue costs	12(d)	—	—	—	(1)	—
Interest paid		(18)	—	(18)	(2)	(4)
<b>Net cash from (used in) financing activities</b>		<b>6,864</b>	<b>(44)</b>	<b>6,908</b>	<b>(3)</b>	<b>46</b>
Foreign exchange (loss) gain on cash and cash equivalents held in foreign currencies		(49)	9	(58)	64	160
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>6,745</b>	<b>(801)</b>	<b>7,546</b>	<b>1,716</b>	<b>635</b>
Cash and cash equivalents, beginning of period		3,027	10,573	3,027	1,311	676
<b>Cash and cash equivalents, end of period</b>		<b>9,772</b>	<b>9,772</b>	<b>10,573</b>	<b>3,027</b>	<b>1,311</b>
<b>Cash and cash equivalents is comprised of:</b>						
Cash		6,778	6,778	7,584	3,027	1,311
Cash equivalents		2,994	2,994	2,989	—	—

See accompanying notes to financial statements.

# ACASTI PHARMA INC.

## Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

### 1. Reporting entity

Acasti Pharma Inc. (**Acasti** or the **Corporation**) is incorporated under the *Business Corporations Act* (Québec) (formerly Part 1A of the *Companies Act* (Québec)). The Corporation is domiciled in Canada and its registered office is located at 545, Promenade du Centropolis, Laval, Québec, H7T 0A3. Neptune Technologies and Bioresources Inc. (**Neptune** or the **parent**) currently owns approximately 34% of the issued and outstanding Class A shares (**Common Shares**) of the Corporation. The Corporation, Neptune and Biodroga Nutraceuticals Inc., a subsidiary of Neptune, are collectively referred to as the “Group”.

Pursuant to a license agreement entered into with Neptune in August 2008, as amended, Acasti has been granted an exclusive worldwide license to use Neptune’s intellectual property to develop, clinically study and market new pharmaceutical products to treat human cardiovascular conditions. Neptune’s intellectual property is related to the extraction of ingredients from marine biomasses, such as krill. The eventual products are aimed at applications in the prescription drug, over-the-counter medicine and medical foods markets. In December 2012, the Corporation entered into a prepayment agreement with Neptune pursuant to which the Corporation exercised its option under the License Agreement to pay in advance all of the future royalties payable under the license which was exercised in fiscal 2014. As a result of the royalty prepayment, Acasti is no longer required to pay any royalties to Neptune under the License Agreement during its term for the use of the intellectual property under license. The license allows Acasti to exploit the intellectual property rights in order to develop novel active pharmaceutical ingredients (“APIs”) into commercial products for the prescription drugs and the medical food markets.

The Corporation is subject to a number of risks associated with the conduct of its clinical program and its results, the establishment of strategic alliances and the successful development of new pharmaceutical products and their marketing. The Corporation has incurred significant operating losses and negative cash flows from operations since inception. To date, the Corporation has financed its operations through the public offering and private placement of Common Shares and convertible debt, the proceeds from research grants and research tax credits, and the exercises of warrants, rights and options. To achieve the objectives of its business plan, Acasti plans to raise the necessary funds through additional securities offerings and the establishment of strategic alliances as well as additional research grants and research tax credits. The Corporation anticipates that the products developed by the Corporation will require approval from the U.S Food and Drug Administration and equivalent regulatory organizations in other countries before their sale can be authorized. The ability of the Corporation to ultimately achieve profitable operations is dependent on a number of factors outside of the Corporation’s control.

### 2. Basis of preparation

#### (a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Beginning in fiscal 2017, the Corporation’s fiscal year end is on March 31. Fiscal 2017 is a transition year, and includes thirteen months of operations, beginning on March 1, 2016 and ending on March 31, 2017. As a result, the above financial statements and corresponding notes to financial statements include two unaudited periods: the one-month period ended March 31, 2017 and the twelve-month period ended February 28, 2017. The Canadian Securities regulator permits, in the transition year, the presentation of a thirteen-month period for the financial year ended March 31, 2017.

The financial statements were approved by the Board of Directors on June 6, 2017.

#### (b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for:

- Stock-based compensation which is measured pursuant to IFRS 2, *Share-based payments (Note 3(e) (ii))*; and,
- Derivative warrant liabilities measured at fair value on a recurring basis (*Note 10*).

# ACASTI PHARMA INC.

## Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

*(thousands of Canadian dollars, except where noted and for share and per share amounts)*

### 2. Basis of preparation (continued):

(c) Going concern uncertainty:

The Corporation has incurred operating losses and negative cash flows from operations since inception. The Corporation's current assets of \$10.2 million as at March 31, 2017 include cash and cash equivalents totalling \$9.8 million, mainly generated by the net proceeds from the Public Offering and Private Placement completed on February 21, 2017 as well as the public offering completed on December 3, 2013 and private offering completed on February 7, 2014 (the **Previous Offerings**). The Corporation's liabilities total \$3.8 million at March 31, 2017 and are comprised primarily of \$2.1 million in amounts due to or accrued for creditors, \$1.4 million for unsecured convertible debentures and \$0.2 million for derivative warrant liabilities. The Corporation's current assets as at this date are projected to be significantly less than needed to support the current liabilities as at that date when combined with the projected level of expenses for the next twelve months, including not only the preparation for, but the planned initiation of the Phase 3 clinical study program for its drug candidate, CaPre. Additional funds will also be needed for the expected expenses for the total CaPre Phase 3 research and development phase beyond the next twelve months. In addition to having raised additional funds during the thirteen-month period ended March 31, 2017, the Corporation is working towards development of strategic partner relationships and plans to raise additional funds in the future, but there can be no assurance as to when or whether Acasti will complete any financing or strategic collaborations. In particular, raising financing is subject to market conditions and is not within the Corporation's control. Additionally, although the Corporation intends to continue to rely on the support of Neptune for a portion of its general and administrative needs, the continuance of this support is outside of the Corporation's control. If the Corporation does not raise additional funds, find one or more strategic partners or does not receive the continued support from its parent, it may not be able to realize its assets and discharge its liabilities in the normal course of business. As a result, there exists a material uncertainty that casts substantial doubt about the Corporation's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business. The Corporation currently has no other arranged sources of financing.

The financial statements have been prepared on a going concern basis, which assumes the Corporation will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. These financial statements do not include any adjustments to the carrying values and classification of assets and liabilities and reported expenses that may be necessary if the going concern basis was not appropriate for these financial statements. If the Corporation was unable to continue as a going concern, material write-downs to the carrying values of the Corporation's assets, including the intangible asset, could be required.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(e) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

- Identification of triggering events indicating that the intangible assets might be impaired.
- The use of the going concern basis of preparation of the financial statements. At the end of each reporting period, management assesses the basis of preparation of the financial statements (Note 2(c)).



# ACASTI PHARMA INC.

## Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

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### 2. Basis of preparation (continued):

(e) Use of estimates and judgments (continued):

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include the following:

- Determination of the recoverable amount of the Corporation's cash generating unit ("CGU").
- Measurement of derivative warrant liabilities (*note 10*) and stock-based compensation (*note 15*).

Also, management uses judgment to determine which research and development ("R&D") expenses qualify for R&D tax credits and in what amounts. The Corporation recognizes the tax credits once it has reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(i) Non-derivative financial assets:

The Corporation has the following non-derivative financial assets: cash, cash equivalents, short-term investments and receivables. The Corporation determines the classification of its financial assets at initial recognition. The subsequent measurement of financial assets depends on their classification.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Loans and receivables*

The classification "loans and receivables" comprises financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash, cash equivalents, short-term investments and receivables with maturities of less than one year are classified as loans and receivables.

Cash and cash equivalents comprise cash balances and highly liquid investments purchased three months or less from maturity.

(ii) Non-derivative financial liabilities:

The Corporation has the following non-derivative financial liabilities: trade and other payables, payable to parent corporation and unsecured convertible debentures. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

# ACASTI PHARMA INC.

## Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

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### 3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(iii) Compound financial instruments:

Compound financial instruments are instruments that can be converted to share capital at the option of the holder, and the number of shares to be issued is fixed.

The unsecured convertible debentures are compound instruments and have been separated into liability and equity components. The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

(iv) Share capital:

*Common Shares*

Class A Common Shares are classified as equity. Incremental costs directly attributable to the issue of Common Shares and share options are recognized as a deduction from share capital, net of any tax effects.

(v) Derivative financial instruments:

The Corporation has issued liability-classified derivatives over its own equity. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes in their fair value are recognized immediately in profit or loss.

(vi) Other equity instruments:

Warrants, options and rights over the Corporation's equity issued outside of share-based payment transactions that do not meet the definition of a liability instrument are recognized in equity.

(b) Equipment:

(i) Recognition and measurement:

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including all costs incurred in bringing the asset to its present location and condition.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net within "other income or expenses" in profit or loss.

(ii) Subsequent costs:

The cost of replacing a part of an equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

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## ACASTI PHARMA INC.

### Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

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#### 3. Significant accounting policies (continued):

(b) Equipment (continued):

(iii) Depreciation:

Depreciation is recognized in profit or loss on either a straight-line basis or a declining basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Items of equipment are depreciated from the date that they are available for use or, in respect of assets not yet in service, from the date they are ready for their intended use.

The estimated useful lives and rates for the current and comparative periods are as follows:

Assets	Method	Period/Rate
Furniture and office equipment	Declining balance	20% to 30%
Computer equipment	Declining balance	30%
Laboratory equipment	Declining balance	30%
Production equipment	Straight-line	10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively if appropriate.

(c) Intangible assets:

(i) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditures are recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. As of the reporting periods presented, the Corporation has not capitalized any development expenditure.

(ii) Other intangible assets:

*Patent costs*

Patents for technologies that are no longer in the research phase are recorded at cost. Patent costs include legal fees to obtain patents and patent application fees. When the technology is still in the research and development phase, those costs are expensed as incurred.

*Licenses*

Licenses that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

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### 3. Significant accounting policies (continued):

(c) Intangible assets (continued):

(iii) Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(iv) Amortization:

Amortization is calculated over the cost of the asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Assets	Period
Patents	20 years
License	8 to 14 years

(d) Impairment:

(i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence, such as default or delinquency by a debtor, indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or "CGU").

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### 3. Significant accounting policies (continued):

(d) Impairment (continued):

(ii) Non-financial assets (continued):

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Share-based payment transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The grant date fair value takes into consideration market performance conditions when applicable. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Corporation.

(iii) Termination benefits:

Termination benefits are recognized as an expense when the Corporation is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Corporation has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting year, then they are discounted to their present value.

# ACASTI PHARMA INC.

## Notes to Financial Statements

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### 3. Significant accounting policies (continued):

(f) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on the assets associated with that contract.

(ii) Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation; or the amount of the obligation cannot be estimated reliably.

(g) Government grants:

Government grants are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Corporation has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Grants that compensate the Corporation for expenses incurred are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

(h) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(i) Foreign currency:

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognized in profit or loss.

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## Notes to Financial Statements

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*(thousands of Canadian dollars, except where noted and for share and per share amounts)*

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### 3. Significant accounting policies (continued):

(j) Finance income and finance costs:

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense and accretion on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

The Corporation recognizes interest income as a component of investing activities and interest expense as a component of financing activities in the statements of cash flows.

(k) Income tax:

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Earnings per share:

The Corporation presents basic and diluted earnings per share ("EPS") data for its Class A shares (or "Common Shares"). Basic EPS is calculated by dividing the profit or loss attributable to the holders of Class A shares (Common Shares) of the Corporation by the weighted average number of Common Shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to the holders of Class A shares (Common Shares) and the weighted average number of Class A shares (Common Shares) outstanding adjusted for the effects of all dilutive potential Common Shares, which comprise warrants, rights and share options granted to employees.

(m) Segment reporting:

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. The Corporation has one reportable operating segment: the development and commercialization of pharmaceutical applications of its licensed rights for cardiovascular diseases. The majority of the Corporation's assets are located in Canada, while one major production unit, with a carrying value of \$2,394, is located in France.

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(thousands of Canadian dollars, except where noted and for share and per share amounts)

#### 3. Significant accounting policies (continued):

(n) Change in accounting policy:

Future accounting change:

The following new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2017, and have not been applied in preparing these financial statements.

New standards and interpretations not yet adopted:

(i) Financial instruments:

On July 24, 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, *Financial Instruments*, which addresses the classification and measurement of financial assets and liabilities, impairment and hedge accounting, replacing IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on April 1, 2018. The Corporation has not yet assessed the impact of adoption of IFRS 9, and does not intend to early adopt IFRS 9 in its financial statements.

(ii) Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions:

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-Based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. Earlier application is permitted. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early application is permitted if information is available without the use of hindsight. 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 of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The Corporation has not yet assessed the impact of adoption of the amendments of IFRS 2, and does not intend to early adopt these amendments in its financial statements.

#### 4. Receivables:

		March 31, 2017	February 28, 2017	February 29, 2016
	Notes		(Unaudited)	
		\$	\$	\$
Sales tax receivables		89	83	182
Government assistance and tax credits receivable	6	115	81	217
Other receivables		2	2	—
		206	166	399



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#### 5. Related parties:

(a) Administrative and research and development expenses:

The Corporation was charged by Neptune for the purchase of research supplies and for certain costs incurred by Neptune for the benefit of the Corporation, as follows:

	Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Research and development expenses	60	1	59	371	344
General and administrative expenses	618	41	577	790	876
	678	42	636	1,161	1,220

The Corporation purchased from the parent company research and development supplies totaling \$113, of which \$73 as at March 31, 2017 and as at February 28, 2017 (unaudited) is recorded in prepaid expenses and will be expensed as used.

Where Neptune incurs specific incremental costs for the benefit of the Corporation, it charges those amounts directly. Costs that benefit more than one entity of the Group are charged by allocating a fraction of costs incurred by Neptune that is commensurate to the estimated fraction of services or benefits received by each entity for those items.

These charges do not represent all charges incurred by Neptune that may have benefited the Corporation. Also, these charges do not necessarily represent the cost that the Corporation would otherwise need to incur, should it not receive these services or benefits through the shared resources of Neptune.

(b) Interest revenue:

On January 7, 2016 Neptune announced the acquisition of Biodroga Nutraceuticals Inc. As part of this transaction, the Corporation pledged an amount of \$2 million ("Committed Funds") to partly guarantee the financing for the said transaction ("Pledge Agreement"). Neptune had agreed to pay Acasti an annual fee on the Committed Funds outstanding at an annual rate of 9% during the first six months and 11% for the remaining term of the Pledge Agreement. On September 20, 2016, Neptune fully released the pledged amount. The Corporation recognized interest revenue in the amount of \$89 for the thirteen-month period ended March 31, 2017, nil (unaudited) for the month ended March 31, 2017, \$89 (unaudited) for the twelve-month period ended February 28, 2017 and \$27 for the year ended February 29, 2016.

(c) Payable to parent corporation:

Payable to parent corporation, primarily for general and administrative shared services, has no specified maturity date for payment or reimbursement and does not bear interest.

(d) Key management personnel compensation:

The key management personnel are the officers of the Corporation, the members of the Board of Directors of the Corporation and of the parent company. They control in the aggregate less than 2% of the voting shares of the Corporation (1% in 2016 and 2% in 2015).

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**5. Related parties (continued):**

(d) Key management personnel compensation (continued):

Key management personnel compensation includes the following for the thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015:

	Thirteen-months ended March 31, 2017	Month ended March 31, 2017 (Unaudited)	Twelve-months ended February 28, 2017 (Unaudited)	Year ended February 29, 2016	Year ended February 28, 2015
	\$	\$	\$	\$	\$
Short-term benefits	1,311	202	1,109	688	742
Severance	—	—	—	103	175
Share-based compensation costs	619	78	541	120	1,339
	1,930	280	1,650	911	2,256

**6. Government assistance:**

Government assistance is comprised of a government grant from the federal government and research and development investment tax credits receivable from the provincial government which relate to qualifiable research and development expenditures under the applicable tax laws. The amounts recorded as receivables are subject to a government tax audit and the final amounts received may differ from those recorded.

Unrecognized federal tax credits may be used to reduce future income tax and expire as follows:

\$	
2029	11
2030	30
2031	45
2032	431
2033	441
2034	436
2035	519
2036	286
2037	251
	2,450

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### 7. Equipment:

	Furniture and office equipment	Computer equipment	Laboratory equipment	Production equipment	Total
	\$	\$	\$	\$	\$
<b>Cost:</b>					
Balance at February 28, 2014	59	3	25	—	87
Additions	—	—	35	—	35
Balance at February 28, 2015	59	3	60	—	122
Additions	—	—	276	—	276
Balance at February 29, 2016	59	3	336	—	398
Additions for the twelve-month period (Unaudited)	—	8	186	2,578	2,772
Balance at February 28, 2017 (Unaudited)	59	11	522	2,578	3,170
Additions for the one-month period (Unaudited)	—	—	—	43	43
Additions for the thirteen-month period	—	8	186	2,621	2,815
Balance at March 31, 2017	59	11	522	2,621	3,213
<b>Accumulated depreciation:</b>					
Balance at February 28, 2014	45	3	—	—	48
Depreciation for the year	4	—	—	—	4
Balance at February 28, 2015	49	3	—	—	52
Depreciation for the year	3	—	56	—	59
Balance at February 29, 2016	52	3	56	—	111
Depreciation for the twelve-month period (Unaudited)	7	1	129	52	189
Balance at February 28, 2017 (Unaudited)	59	4	185	52	300
Depreciation for the one-month period (Unaudited)	—	—	11	21	32
Depreciation for thirteen-month period	7	1	140	73	221
Balance at March 31, 2017	59	4	196	73	332
<b>Net carrying amounts:</b>					
February 29, 2016	7	—	280	—	287
February 28, 2017 (Unaudited)	—	7	337	2,526	2,870
March 31, 2017	—	7	326	2,548	2,881

Depreciation expense for the thirteen-month and one-month periods ended March 31, 2017 and twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015 has been recorded in “research and development expenses” in the statements of earnings and comprehensive loss.

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#### 8. Intangible assets :

	Patents	License	Total
	\$	\$	\$
<b>Cost:</b>			
Balance at February 28, 2014	227	24,330	24,557
Additions	51	—	51
Balance at February 28, 2015	278	24,330	24,608
Additions	84	—	84
Balance at February 29, 2016, February 28, 2017 (Unaudited) and March 31, 2017	362	24,330	24,692
<b>Accumulated amortization:</b>			
Balance at February 28, 2014	1	4,780	4,781
Amortization for the year	9	2,322	2,331
Balance at February 28, 2015	10	7,102	7,112
Amortization for the year	13	2,323	2,336
Impairment loss	339	—	339
Balance at February 29, 2016	362	9,425	9,787
Amortization for the twelve-month period (Unaudited)	—	2,323	2,323
Balance at February 28, 2017 (Unaudited)	362	11,748	12,110
Amortization for the one-month period (Unaudited)	—	194	194
Amortization for the thirteen-month period	—	2,517	2,517
Balance at March 31, 2017	362	11,942	12,304
<b>Net carrying amounts:</b>			
February 29, 2016	—	14,905	14,905
February 28, 2017 (Unaudited)	—	12,582	12,582
March 31, 2017	—	12,388	12,388

Amortization expense and impairment loss for the thirteen-month and one-month periods ended March 31, 2017, the twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015 have been recorded in "research and development expenses" in the statements of earnings and comprehensive loss.

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#### 9. Trade and other payables:

	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016
	\$	\$	\$
Trade payables	259	534	375
Accrued liabilities and other payables	1,354	1,372	543
Employee salaries and benefits payable	513	484	208
	2,126	2,390	1,126

The Corporation's exposure to currency and liquidity risks related to trade and other payables is presented in Note 19.

#### 10. Derivative warrant liabilities:

Warrants issued as part of a public offering of units composed of class A share (Common Share) and Common Share purchase warrants in 2014 are derivative liabilities ("Derivative warrant liabilities") for accounting purposes due to the currency of the exercise price being different from the Corporation's functional currency.

The derivative warrant liabilities are measured at fair value at each reporting period and the reconciliation of changes in fair value is presented in the following table:

	Thirteen-month period ended March 31, 2017	Month ended March 31, 2017 (Unaudited)	Twelve-month period ended February 28, 2017 (Unaudited)	Year ended February 29, 2016
	\$	\$	\$	\$
Balance – beginning of period	156	187	156	2,357
Change in fair value of derivative warrant liabilities	53	22	31	(2,201)
Balance – end of period	209	209	187	156

The fair value of the derivative warrant liabilities was estimated using the Black-Scholes option pricing model and based on the following assumptions:

	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016
Exercise price	US \$1.50	US \$1.50	US \$1.50
Share price <sup>(1)</sup>	US \$1.36	US \$1.25	US \$1.50
Dividend	—	—	—
Risk-free interest	1.22%	1.24%	0.87%
Estimated life	1.68 years	1.76 years	2.76 years
Expected volatility	108.35%	107.36%	76.34%

(1) In order to obtain one Common Share, 10 warrants must be exercised.

The fair value of the warrants issued was determined to be \$0.11 per share issuable as at March 31, 2017 and \$0.10 (unaudited) per share issuable as at February 28, 2017 (\$0.09 per share issuable as at February 29, 2016).

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### 11. Unsecured convertible debentures

Concurrent with the Public Offering described in note 12, on February 21, 2017, the Company issued \$2,000 aggregate principal amount of unsecured convertible debentures maturing February 21, 2020 and contingent warrants to acquire up to 1,052,630 Common Shares (the "Private Placement"). The principal may be prepaid, in whole or in part, at any time and from time to time, in cash, at the sole discretion of the Corporation. The debentures are convertible into Common Shares at anytime by the holder at a fixed price of \$1.90 per Common Share except if the Corporation pays before the maturity, all or any portion of the convertible debentures. Should the Corporation pay all or any portion of the convertible debenture before maturity, then warrants become exercisable at \$1.90 per Common Share for the equivalent convertible debenture amount prepaid. The contingent warrants will be exercisable for the remaining term of the convertible debt for the same price as the conversion options. The unsecured convertible debentures were issued at a discount of 3.5% to the principal amount, for aggregate gross proceeds of \$1,930.

The convertible debentures provide the Corporation an accelerated conversion right whereby the Corporation may, at any time at least four months after the date of issuance of the convertible debentures, accelerate the conversion of the debentures to Common Shares in the event that the volume weighted average price of the Corporation's Common Shares on the TSX Venture Exchange is equal to or exceeds \$2.65, subject to customary adjustment provisions, during 20 consecutive trading days.

The interest to be paid on the convertible debentures under the terms of the agreement is 8% per annum, payable on a quarterly basis in cash or Common Shares of the Corporation or a combination thereof, commencing on March 31, 2017. The decision to pay the interest due in cash or shares is at the discretion of the Corporation and the number of Common Shares to be issued will be calculated at the current market price as at the close of business on the day before the interest payment is to be made. Payment in shares shall be at a floor price of \$0.10 per share, with the difference between the amount payable and the amount computed at floor price payable in cash.

The proceeds of the Private Placement were split between the liability and the equity at the time of issuance of the Private Placement. Both the conversion option and contingent warrants are considered the equity component of the Private Placement. The fair value of the liability component was determined through a discounted cash flow analysis using a discount rate of 20% that was set based on a similar debt and maturity considering the Corporation's credit risk excluding the conversion option and contingent warrants. The amount allocated to the equity component is the residual amount after deducting the fair value of the financial liability component from the fair value of the entire compound instrument. Subsequent to initial recognition, the liability is measured at amortized cost calculated using the effective interest rate method and will accrete up to the principal balance at maturity. The interest accretion is presented as a financial expense. The equity component is not re-measured. Transaction costs were allocated to the components in proportion to their initial carrying amounts. The portion allocated to the liability was recognized as a reduction of the debt whereas the portion allocated to other equity was recognized as a reduction to other equity.

The fair value of the liability portion at the time of issuance was determined to be \$1,519 and the transaction costs and debt discount amounted to \$134, of which \$30 is still unpaid as at March 31, 2017. The residual of the proceeds allocated to the equity component amounted to \$481 and the transactions costs amounted to \$43, of which \$10 is unpaid at March 31, 2017.

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(thousands of Canadian dollars, except where noted and for share and per share amounts)

### 11. Unsecured convertible debentures (continued):

The split between the liability and equity component portions of the Private Placement are summarized below:

	Liability component	Equity component	Total Private Placement
	\$	\$	\$
Components at date of issue	1,519	481	2,000
Transaction costs and debt discount	(134)	(43)	(177)
Deferred income tax expense (note 18)	—	(129)	(129)
Effective interest for the twelve-month period (Unaudited)	8	—	8
Interest payable (Unaudited)	(4)	—	(4)
February 28, 2017 (Unaudited)	1,389	309	1,698
Effective interest for the one-month period (Unaudited)	31	—	31
Interest payable (Unaudited)	(14)	—	(14)
Effective interest for the thirteen-month period	39	—	39
Interest payable	(18)	—	(18)
March 31, 2017	1,406	309	1,715

### 12. Capital and other components of equity

(a) Share capital:

Authorized capital stock:

Unlimited number of shares:

- Class A shares (Common Shares), voting (one vote per share), participating and without par value
- Class B shares, voting (ten votes per share), non-participating, without par value and maximum annual non-cumulative dividend of 5% on the amount paid for said shares. Class B shares are convertible, at the holder's discretion, into Class A shares (Common Shares), on a one-for-one basis, and Class B shares are redeemable at the holder's discretion for \$0.80 per share, subject to certain conditions. (1)
- Class C shares, non-voting, non-participating, without par value and maximum annual non-cumulative dividend of 5% on the amount paid for said shares. Class C shares are convertible, at the holder's discretion, into Class A shares (Common Shares), on a one-for-one basis, and Class C shares are redeemable at the holder's discretion for \$0.20 per share, subject to certain conditions. (1)
- Class D and E shares, non-voting, non-participating, without par value and maximum monthly non-cumulative dividend between 0.5% and 2% on the amount paid for said shares. Class D and E shares are convertible, at the holder's discretion, into Class A shares (Common Shares), on a one-for-one basis, and Class D and E shares are redeemable at the holder's discretion, subject to certain conditions. (1)

(1) None issued and outstanding

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#### 12. Capital and other components of equity (continued):

(b) Public offering 2017:

Concurrent with the private placement described in Note 11, on February 21, 2017, the Corporation closed a public offering (“Public Offering”) issuing 3,930,518 units of Acasti (“Units”) at a price of \$1.45 per Unit for gross proceeds of \$5,699. Each Unit consists of one class A share (Common Share) and one half of one class A or common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at an exercise price of \$2.15 per common share, at any time until February 21, 2022. The Units issued as part of the public offering are considered equity instruments. The transaction costs associated with the Public Offering amounted to \$1,190, of which \$381 remains unpaid as at March 31, 2017 (February 28, 2017 - \$416 (unaudited)). The proceeds and transaction costs were allocated to share capital.

As part of the transaction, the Company also issued broker warrants (the “Broker Warrants”) to purchase up to 234,992 Common Shares. Each Broker Warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price of \$2.15 per common share, at any time until February 21, 2018. The broker warrants are considered for compensation to non-employees under IFRS 2, stock-based compensation, and are accounted for at fair value through contributed surplus. To determine the fair value of the Broker Warrants, the Black-Scholes pricing model was used. The total costs associated with the Broker Warrants amounted to \$144 and were allocated to share capital.

The warrants issued as part of the Units of the Public Offering and the broker warrants include an “Acceleration Right”, related to the Corporation’s right to accelerate the expiry date of the warrants. The Acceleration Right clause means the right of the Corporation to accelerate the expiry date to a date that is not less than 30 days following delivery of the acceleration notice if, at any time at least four months after the effective date, the volume weighted average trading price of the common shares equals or exceeds \$2.65 for a period of 20 consecutive trading days on the TSXV.

Furthermore, as part of the February 2017 Public Offering and convertible debt transactions, a total of 60,000 Common Shares were issued as equity settled share-based payments for services received from an employee of the parent at a price of \$1.57 per share for a total cost of \$94. The equity settled share-based payment costs have been allocated to share capital for a cost that amounted to \$85 and to debt for a cost that amounted to \$9 based on relative value.

The value of the broker warrants was estimated using the Black-Scholes option pricing model and based on the following assumptions:

	Thirteen-month period ended March 31, 2017
Exercise price	\$2.15
Share price	\$1.70
Dividend	—
Risk-free interest	0.79%
Estimated life	1.00 year
Expected volatility	112.09%

(c) Issuance of shares:

On February 5, 2016, 50,000 shares were issued on the settlement of a liability. An amount of \$102, net of share issuance costs of \$1, was recorded in share capital.



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### 12. Capital and other components of equity (continued):

(d) Warrants:

The warrants of the Corporation are composed of the following as at March 31, 2017, February 28, 2017, February 29, 2016 and February 28, 2015:

	March 31, 2017		February 28, 2017 (Unaudited)		February 29, 2016		February 28, 2015	
	Number outstanding	Amount	Number outstanding	Amount	Number outstanding	Amount	Number outstanding	Amount
		\$		\$		\$		\$
<b>Liability</b>								
Series 8 Public offering Warrants 2014 (note 10) (i)								
	18,400,000	209	18,400,000	187	18,400,000	156	18,400,000	2,357
	18,400,000	209	18,400,000	187	18,400,000	156	18,400,000	2,357
<b>Equity</b>								
Public offering warrants								
Public offering warrants 2017 (ii)								
	1,965,259	—	1,965,259	—	—	—	—	—
Series 2017-BW Broker warrants (iii)								
	234,992	144	234,992	144	—	—	—	—
Private Placement – contingent warrants								
2017 Unsecured convertible debenture conversion option and contingent warrants (iv)								
	1,052,630	309	1,052,630	309	—	—	—	—
Series 9 Private Placement warrants 2014 (v)								
	161,654	—	161,654	—	161,654	—	161,654	—
	3,414,535	453	3,414,535	453	161,654	—	161,654	—

(i) In order to obtain one Common Share of the Corporation at an exercise price of US\$15.00, 10 warrants must be exercised. Warrants expire on December 3, 2018.

(ii) Warrant to acquire one Common Share of the Corporation at an exercise price of \$2.15, expiring on February 21, 2022.

(iii) Warrant to acquire one Common Share of the Corporation at an exercise price of \$2.15 expiring on February 21, 2018.

(iv) Warrant to acquire one Common Share of the Corporation at an exercise price of \$1.90 expiring on February 21, 2020, net of deferred tax expense of \$129.

(v) Warrant to acquire one Common Share of the Corporation at an exercise price of \$13.30, expiring on December 3, 2018.

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#### 13. Personnel expenses:

	Thirteen-months ended	Month ended	Twelve-month period ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Salaries and other short-term employee benefits	2,483	214	2,269	1,902	1,554
Share-based compensation costs	674	86	588	309	1,553
Severance	—	—	—	210	171
	3,157	300	2,857	2,421	3,278

#### 14. Financial (expenses) income:

	Thirteen-months ended	Month ended	Twelve-month period ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Interest income	125	6	119	73	87
Foreign exchange gain	—	—	—	1,023	1,833
Financial income	125	6	119	1,096	1,920
Foreign exchange loss	(180)	(3)	(177)	—	—
Interest on convertible debenture	(39)	(31)	(8)	—	—
Other charges	(19)	(1)	(18)	(2)	(4)
Financial expenses	(238)	(35)	(203)	(2)	(4)
Financial (expenses) income	(113)	(29)	(84)	1,094	1,916

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## 15. Share-based payments:

At March 31, 2017, the Corporation has the following share-based payment arrangement:

(a) Corporation stock option plan:

The Corporation has in place a stock option plan for directors, officers, employees and consultants of the Corporation. The plan provides for the granting of options to purchase Class A shares (Common Shares). The exercise price of the stock options granted under this plan is not lower than the closing price of the shares listed on the TSXV at the close of markets the day preceding the grant. Under this plan, the maximum number of Class A shares (Common Shares) that may be issued upon exercise of options granted under the plan is 2,142,407, representing 20% of the number of Class A shares (Common Shares) issued and outstanding as at February 29, 2016. The terms and conditions for acquiring and exercising options are set by the Corporation's Board of Directors, subject among others, to the following limitations: the term of the options cannot exceed ten years and every stock option granted under the stock option plan will be subject to conditions no less restrictive than a minimum vesting period of 18 months and a gradual and equal acquisition of vesting rights not shorter than on a quarterly basis. The total number of shares issued to any one consultant cannot exceed 2% of the Corporation's total issued and outstanding shares. The Corporation is not authorized to grant such number of options under the stock option plan that could result in a number of Class A shares (Common Shares) issuable pursuant to options granted to (a) related persons exceeding 10% of the Corporation's issued and outstanding Class A shares (Common Shares) (on a non-diluted basis) on the date an option is granted, or (b) any one eligible person in a twelve month period exceeding 5% of the Corporation's issued and outstanding Class A shares (Common Shares) (on a non-diluted basis) on the date an option is granted.

The following tables summarize information about activities within the stock option plan:

	Thirteen-month period ended March 31, 2017			
	Weighted average exercise price	Number of options		
			\$	
Outstanding at beginning of period	13.52	454,151		
Granted	1.69	1,300,400		
Forfeited	13.27	(190,138)		
Expired	15.38	(139,625)		
Outstanding at end of period	2.58	1,424,788		
Exercisable at end of period	6.44	238,482		
	Month ended March 31, 2017 (Unaudited)		Twelve-month period ended February 28, 2017 (Unaudited)	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
			\$	
Outstanding at beginning of period	2.59	1,427,288	13.52	454,151
Granted	—	—	1.69	1,300,400
Forfeited	11.50	(2,500)	13.29	(187,638)
Expired	—	—	15.38	(139,625)
Outstanding at end of period	2.58	1,424,788	2.59	1,427,288
Exercisable at end of period	6.44	238,482	6.49	240,982

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## 15. Share-based payments (continued):

(a) Corporation stock option plan (continued):

	Year ended February 29, 2016		Year ended February 28, 2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	\$		\$	
Outstanding at beginning of year	15.33	429,625	15.72	491,100
Granted	4.65	109,188	9.51	51,250
Exercised	2.50	(250)	2.50	(20,000)
Forfeited	9.40	(66,912)	14.90	(22,725)
Expired	18.57	(17,500)	18.00	(10,000)
Cancelled	—	—	17.50	(60,000)
<b>Outstanding at end of year</b>	<b>13.52</b>	<b>454,151</b>	<b>15.33</b>	<b>429,625</b>
<b>Exercisable at end of year</b>	<b>15.28</b>	<b>375,563</b>	<b>15.48</b>	<b>332,039</b>

The weighted average of the fair value of the options granted to employees and directors of the Company during the thirteen-month period ended March 31, 2017 is \$1.40 and during the twelve-month period ended February 28, 2017 is \$1.40 (unaudited) (2016 - \$2.14 and 2015 - \$3.52). There were no options granted during the month ended March 31, 2017 and no options granted to consultants during the thirteen-month period ended March 31, 2017 and years ended February 29, 2016 and February 28, 2015.

No options were exercised during the thirteen-month period ended March 31, 2017. The weighted average share price at the date of exercise for share options exercised during the year ended February 29, 2016 was \$4.20 (2015 - \$9.20). Stock-based compensation recognized under this plan for the thirteen-month and one-month periods ended March 31, 2017 amounted to \$674 and \$86 (unaudited), respectively and amounted to \$588 (unaudited) for the twelve-month period ended February 28, 2017 (2016 - \$234 and 2015 - \$526).

The fair value of options granted was estimated using the Black-Scholes option pricing model, resulting in the following weighted average assumptions for options granted during the periods ended:

	Thirteen-month period ended	Twelve-month Period ended	Year ended	Year ended
	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
Exercise price	\$1.69	\$1.69	\$4.65	\$9.51
Share price	\$1.69	\$1.69	\$4.65	\$9.51
Dividend	—	—	—	—
Risk-free interest	0.87%	0.87%	0.66%	1.14%
Estimated life	4.94 years	4.94 years	4.20 years	3.00 years
Expected volatility	123.54%	123.54%	65.63%	60.34%

The expected life of the stock options is based on historical data and current expectation and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

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## 15. Share-based payments (continued):

(a) Corporation stock option plan (continued):

The following tables summarize the status of the outstanding and exercisable options of the Corporation:

<b>March 31, 2017</b>				
Exercise price	Options outstanding		Exercisable options	
	Weighted remaining contractual life outstanding	Number of options outstanding	Weighted average exercise price \$	Number of options exercisable
\$1.56 - \$1.61	6.11	525,000	1.56	131,250
\$1.62 - \$1.82	9.90	465,000	—	—
\$1.83 - \$2.25	6.16	286,700	—	—
\$2.26 - \$5.65	4.08	79,588	3.84	38,732
\$5.66 - \$21.00	0.64	68,500	17.26	68,500
	6.98	1,424,788	6.44	238,482

<b>February 28, 2017 (Unaudited)</b>				
Exercise price	Options outstanding		Exercisable options	
	Weighted remaining contractual life Outstanding	Number of options Outstanding	Weighted average exercise price \$	Number of options exercisable
\$1.56 - \$1.61	6.20	525,000	1.56	131,250
\$1.62 - \$1.82	9.99	465,000	—	—
\$1.83 - \$2.25	6.25	286,700	—	—
\$2.26 - \$5.65	4.17	79,588	3.84	38,732
\$5.66 - \$21.00	0.71	71,000	17.06	71,000
	7.06	1,427,288	6.49	240,982

### Share-based payment transactions and broker warrants:

The fair value of share-based payment transaction is measured using the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour unless no entity-specific information exists in which case the average of the vesting and contractual periods is used), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions, if any, are not taken into account in determining fair value.

b) Corporation equity incentive plan:

The Corporation established an equity incentive plan for employees, directors and consultants. The plan provides for the issuance of restricted share units ("RSU"), performance share units, restricted shares, deferred share units and other share-based awards, subject to restricted conditions as may be determined by the Board of Directors. There are no such awards outstanding as of March 31, 2017, February 28, 2017 and February 29, 2016 and no stock-based compensation was recognized for the one-month and thirteen-month periods ended March 31, 2017 and \$64 for the twelve-month period ended February 29, 2016 (2015 - \$466).

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**16. Loss per share:**

Diluted loss per share was the same amount as basic loss per share, as the effect of options, RSUs and warrants would have been anti-dilutive, because the Corporation incurred losses in each of the periods presented. All outstanding options, RSUs and warrants could potentially be dilutive in the future.

**17. Supplemental cash flow disclosure:**

(a) Changes in non-cash operating items:

	Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Receivables	193	(40)	233	406	248
Receivable from corporation under common control	—	—	—	50	47
Inventories	—	—	—	88	174
Prepaid expenses	247	(33)	280	(138)	385
Trade and other payables	382	(252)	634	50	(87)
Receivable/payable to parent corporation	(30)	(3)	(27)	(497)	539
	792	(328)	1,120	(41)	1,306

(b) Non-cash transactions:

	Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Equity settled share-based payment included in equity (\$85) and unsecured convertible debentures (\$9)	94	—	94	—	—
Issuance of broker warrants included in net proceeds from public offering	144	—	144	—	—
Public offering transaction costs included in trade and other payables	381	381	416	—	—
Reduction in share issue costs from reduction in trade and other payables	109	—	109	—	—
Private Placement transaction costs included in trade and other payables	40	40	50	—	—
Equipment included in trade and other payables	288	288	269	—	—
Interest payable included in trade and other payables	18	18	4	—	—
Issuance of shares on settlement of a liability	—	—	—	103	—
Intangible assets included in trade and other payables	—	—	—	—	8
Interest receivable included in payable to parent corporation	—	—	—	27	—

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## 18. Income taxes:

Deferred tax (recovery) expense:

	Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Origination and reversal of temporary differences	2,240	163	2,077	2,065	2,221
Change in unrecognized deductible temporary differences	(2,369)	(163)	(2,206)	(2,065)	(2,221)
Deferred tax (recovery) expense	(129)	—	(129)	—	—

Reconciliation of effective tax rate:

	Thirteen-months ended	Month ended	Twelve-months ended	Year ended	Year ended
	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)	February 29, 2016	February 28, 2015
	\$	\$	\$	\$	\$
Loss before income taxes	(11,376)	(769)	(10,607)	(6,317)	(1,654)
Basic combined Canadian statutory income tax rate <sup>1</sup>	26.87%	26.80%	26.88%	26.90%	26.90%
Computed income tax recovery	(3,057)	(207)	(2,850)	(1,699)	(445)
Increase resulting from:					
Change in unrecognized deductible temporary differences	2,369	163	2,206	2,065	2,221
Non-deductible stock-based compensation	178	23	155	83	418
Non-deductible change in fair value	14	6	8	(592)	(2,374)
Permanent differences and other	166	12	154	143	180
Change in statutory income tax rate	201	3	198	—	—
Total tax (recovery) expense	(129)	—	(129)	—	—

<sup>1</sup> The Canadian combined statutory income tax rate has decreased due to a reduction in the provincial statutory income tax rate.

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### 18. Income taxes (continued):

Unrecognized deferred tax assets:

At March 31, 2017, February 28, 2017 and February 29, 2016, the net deferred tax assets, which have not been recognized in these financial statements because the criteria for recognition of these assets were not met, were as follows:

	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016
	\$	\$	\$
<b>Deferred tax assets</b>			
Tax losses carried forward	8,293	8,153	6,020
Research and development expenses	4,220	4,196	3,866
Property, plant and equipment and intangible assets	435	423	340
Other deductible temporary differences	522	539	388
Deferred tax assets	13,470	13,311	10,614
<b>Deferred tax liabilities</b>			
Tax basis of unsecured convertible debentures in excess of carrying value	122	126	—
Deferred tax liabilities	122	126	—
Net deferred tax assets	13,348	13,185	10,614

On initial recognition of the unsecured convertible debenture equity component, a deferred tax liability of \$129 was recognized with the corresponding entry recognized directly in Other equity. Consequently, an equal amount of deferred tax asset related to unrecognized tax losses was recognized with the offsetting entry in the Corporation statement of earnings and comprehensive loss.

As at March 31, 2017 and February 28, 2017, the amounts and expiry dates of tax attributes and temporary differences, which are available to reduce future years' taxable income, were as follows:

	March 31, 2017		February 28, 2017 (Unaudited)	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
<b>Tax losses carried forward</b>				
2029	714	714	714	714
2030	1,627	1,620	1,627	1,620
2031	2,071	2,063	2,071	2,063
2032	2,262	2,241	2,262	2,241
2033	1,854	1,825	1,854	1,825
2034	3,597	3,597	3,597	3,597
2035	4,595	4,595	4,595	4,595
2036	5,494	5,494	5,494	5,494
2037	9,109	9,109	8,579	8,579
	31,323	31,260	30,793	30,728
Research and development expenses, without time limitation	15,436	16,559	15,347	16,469
Other deductible temporary differences, without time limitation	3,154	3,154	3,158	3,158



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### 19. Financial instruments:

This note provides disclosures relating to the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, foreign currency risk, interest rate risk and liquidity risk, and how the Corporation manages those risks.

(a) Credit risk:

Credit risk is the risk of a loss if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation has credit risk relating to cash and cash equivalents and short-term investments, which it manages by dealing only with highly-rated Canadian institutions. The carrying amount of financial assets, as disclosed in the statements of financial position, represents the Corporation's credit exposure at the reporting date.

(b) Currency risk:

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates. Foreign currency risk is limited to the portion of the Corporation's business transactions denominated in currencies other than the Canadian dollar. Fluctuations related to foreign exchange rates could cause unforeseen fluctuations in the Corporation's operating results.

A portion of the expenses, mainly related to research contracts and purchase of production equipment, is incurred in US dollars and in Euros, for which no financial hedging is required. There is a financial risk related to the fluctuation in the value of the US dollar and the Euro in relation to the Canadian dollar. In order to minimize the financial risk related to the fluctuation in the value of the US dollar in relation to the Canadian dollar, funds continue to be invested as short-term investments in the US dollar.

The following table provides an indication of the Corporation's significant foreign exchange currency exposures as stated in Canadian dollars at the following dates:

	March 31, 2017		February 28, 2017 (Unaudited)		February 29, 2016
	US\$	Euro	US\$	Euro	US\$
Cash and cash equivalents	3,524	—	3,691	—	2,872
Short-term investments	—	—	—	—	7,442
Receivables	2	—	3	—	1
Trade and other payables	(503)	(317)	(376)	(603)	(275)
	3,023	(317)	3,318	(603)	10,040

The following exchange rates are those applicable to the following periods and dates:

	March 31, 2017		February 28, 2017 (Unaudited)		February 29, 2016	
	Average	Reporting	Average	Reporting	Average	Reporting
CAS per US\$	1.3134	1.3299	1.3113	1.3281	1.3071	1.3531
CAS per Euro	1.4424	1.4251	1.4434	1.4066	1.4393	—

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# ACASTI PHARMA INC.

## Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

### 19. Financial instruments (continued):

(b) Currency risk (continued):

Based on the Corporation's foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the US dollar and Euro would have decrease in net loss as follows, assuming that all other variables remain constant:

	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016
	\$	\$	\$
Decrease in net loss	139	151	502

An assumed 5% weakening of the foreign currencies would have an equal but opposite effect on the basis that all other variables remained constant.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Corporation's exposure to interest rate risk as at March 31, 2017, February 28, 2017 and February 29, 2016 is as follows:

Cash and cash equivalents	Short-term fixed interest rate
Short-term investments	Short-term fixed interest rate
Unsecured convertible debentures	Long-term fixed interest rate

The capacity of the Corporation to reinvest the short-term amounts with equivalent return will be impacted by variations in short-term fixed interest rates available on the market. Management believes that the risk the Corporation will realize a loss as a result of the decline in the fair value of its cash equivalents is limited because these investments have short-term maturities and are generally held to maturity.

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 22. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Corporation's operating budgets, and reviews material transactions outside the normal course of business. Refer to Note 2(c).

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# ACASTI PHARMA INC.

Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

## 19. Financial instruments (continued):

(d) Liquidity risk (continued):

The following are the contractual maturities of financial liabilities as at March 31, 2017, February 28, 2017 and February 29, 2016:

				March 31, 2017	
Required payments per year	Notes	Total \$	Carrying amount \$	Less than 1 year \$	1 to 3 years \$
Trade and other payables	9	2,126	2,126	2,126	—
Payable to parent corporation	5(c)	12	12	12	—
Unsecured convertible debentures	11	2,463	1,406	160	2,303
		4,601	3,544	2,298	2,303

				February 28, 2017 (Unaudited)	
Required payments per year		Total \$	Carrying amount \$	Less than 1 year \$	1 to 3 years \$
Trade and other payables	9	2,390	2,390	2,390	—
Payable to parent corporation	5(c)	15	15	15	—
Unsecured convertible debentures	11	2,480	1,389	160	2,316
		4,885	3,794	2,565	2,316

				February 29, 2016	
Required payments per year		Total \$	Carrying amount \$	Less than 1 year \$	1 to 3 years \$
Trade and other payables	9	1,126	1,126	1,126	—
Payable to parent corporation	5(c)	15	15	15	—
		1,141	1,141	1,141	—

The Derivative warrant liabilities are excluded from the above tables as they will be settled in shares and not by the use of liquidities.

# ACASTI PHARMA INC.

Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

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## 20. Commitments and contingencies:

### *Research and development agreements:*

In the normal course of business, the Corporation has signed agreements with various partners and suppliers for them to execute research and development projects and to produce certain tools and equipment. The Corporation has reserved certain rights relating to these projects.

The Corporation initiated research and development projects that are planned to be conducted over the next 12-month period for a total cost of \$2,169 of which an amount of \$785 has been paid to date. As at March 31, 2017, an amount of \$467 is included in "Trade and other payables" in relation to these projects.

The Corporation has also entered into a contract to purchase production equipment for a total cost of \$1,162 to be used in the manufacturing of the clinical and future commercial supply of CaPre®, of which an amount of \$853 has been paid to date. As at March 31, 2017, an amount of \$288 is included in "Trade and other payables" related to this equipment.

### *Contingencies:*

A former CEO of the Corporation is claiming the payment of approximately \$8.5 million and the issuance of equity instruments from the Group. As the Corporation's management believes that these claims are not valid, no provision has been recognized. Neptune and its subsidiaries also filed an additional claim to recover certain amounts from the former officer. All outstanding share-based payments held by the former CEO have been cancelled during the year ended February 28, 2015.

The Corporation is also involved in other matters arising in the ordinary course of its business. Since management believes that all related claims are not valid and it is presently not possible to determine the outcome of these matters, no provisions have been made in the financial statements for their ultimate resolution beyond the amounts incurred and recorded for such matters. The resolution of such matters could have an effect on the Corporation's financial statements in the year that a determination is made, however, in management's opinion, the final resolution of all such matters is not projected to have a material adverse effect on the Corporation's financial position.

## 21. Determination of fair values:

Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

### *Financial assets and liabilities:*

In establishing fair value, the Corporation uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

The Corporation has determined that the carrying values of its short-term financial assets and liabilities approximate their fair value given the short-term nature of these instruments. The fair value of the liability component of the convertible debenture is determined by discounting future cash flows using a rate that the Corporation could obtain for loans with similar terms, conditions and maturity dates. The fair value of this liability at February 28, 2017 and March 31, 2017 has not changed from the issuance date of February 21, 2017 and was measured using level 3 inputs.

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## ACASTI PHARMA INC.

### Notes to Financial Statements

Thirteen-month and one-month periods ended March 31, 2017, twelve-month period ended February 28, 2017 and years ended February 29, 2016 and February 28, 2015

(thousands of Canadian dollars, except where noted and for share and per share amounts)

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#### 21. Determination of fair values (continued):

##### *Derivative warrant liabilities:*

The Corporation measured its derivative warrant liabilities at fair value on a recurring basis. These financial liabilities were measured using a level 3 inputs (Note 10).

As at March 31, 2017, the effect of an increase or a decrease of 5% of the volatility used, which is the significant unobservable input in the fair value estimate, would result in a loss of \$49 or a gain of \$44, respectively. As at February 28, 2017, the effect of an increase or a decrease of 5% of the volatility used, which is the significant unobservable input in the fair value estimate, would result in a loss of \$45 (unaudited) or a gain of \$40 (unaudited), respectively.

#### 22. Capital management:

Since inception, the Corporation's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, general and administrative expenses, expenses associated with intellectual property protection and its overall capital expenditures. The Corporation is not exposed to external requirements by regulatory agencies or third parties regarding its capital, except for certain covenants included within the convertible debentures (Note 11).

Since the beginning of its operations, the Corporation has primarily financed its liquidity needs from funding provided through public offerings, private placements, its parent corporation, from the exercise of warrants that were distributed to its parent corporation's shareholders, from a rights offering and from the issuance of options to employees. However, the Corporation attempts to optimize its liquidity needs with non-dilutive sources whenever possible, including from research and development tax credits or government assistance.

The Corporation defines capital to include total shareholders' equity, derivative warrant liabilities and unsecured convertible debentures.

The Corporation's policy is to maintain a minimal level of debt.

The following table summarizes the cash and cash equivalents and short-term investments of the Corporation:

	March 31, 2017	February 28, 2017 (Unaudited)	February 29, 2016
Cash	6,778	7,584	3,027
Cash equivalents	2,994	2,989	—
Short-term investments	—	—	7,443
	9,772	10,573	10,470

As at March 31, 2017 and February 28, 2017, cash equivalents consisting of two term deposits totaling \$2,994 (US - \$2,251) and \$2,990 (US\$2,251) (unaudited), respectively, are being held with a Canadian financial institution having a high credit rating. The term deposits as at March 31, 2017 have maturity dates of April 11, 2017 and April 25, 2017, bearing an interest rate of 0.52% and 0.53% per annum, respectively, cashable at any time at the discretion of the Corporation, under certain conditions. The term deposits as at February 28, 2017 have maturity dates of March 12, 2017 and March 28, 2017, bearing an interest rate of 0.46% and 0.45% per annum, respectively, cashable at any time at the discretion of the Corporation, under certain conditions.

As at February 29, 2016, a short-term investment consisting of a term deposit totaling \$7,443 (US - \$5,500) was with a Canadian financial institution having a high credit rating. The short-term investment had a maturity date of March 29, 2016, bearing an interest rate of 0.33% per annum, cashable at any time at the discretion of the Corporation, under certain conditions.



## **Acasti Pharma Inc.**

**6,755,000 Common Shares and Warrants  
to Purchase up to 6,079,500 Common Shares  
(6,079,500 Common Shares Underlying the Warrants)**

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**PROSPECTUS**

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**Benchmark**

**Dawson James Securities, Inc.**

, 2017

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 6. Indemnification of Directors and Officers**

Directors' and officers' liability insurance has been purchased for the benefit of the directors and officers of the registrant, to back up the registrant's indemnification of them against liability incurred in their capacity as directors and officers, subject to certain limitations under applicable law.

In accordance with the provisions of the QBCA, the by-laws of the registrant also provide that the registrant will indemnify a director or officer, a former director or officer, or an individual who acts or acted at the registrant's request as a director or officer or an individual acting in a similar capacity of another entity, and such person's heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such individual in respect of any civil, criminal, administrative investigative or other proceeding in which the individual is involved because of that association with the registrant or other entity, provided however that the registrant shall not so indemnify an individual unless the individual (i) acted honestly and in good faith with a view to the best interests of the registrant or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the registrant's request, and (ii) if the matter is a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that the individual's conduct was lawful.

In addition, the registrant may advance money to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to above, but the individual shall repay the registrant if the individual does not fulfil the conditions set out in (i) and (ii) above.

If the registrant becomes liable under the terms of its by-laws, the insurance coverage discussed above will extend to its liability; however, each claim will be subject to a per claim retention of nil or \$15,000, depending on the nature of the claim.

**Item 7. Recent Sales of Unregistered Securities**

Set forth below are all the sales of securities by us during the three years preceding this offering that were not registered under the Securities Act.

- 50,000 common shares issued on February 5, 2016 pursuant to a settlement agreement;
- \$2,000,000 aggregate principal amount of unsecured convertible debentures, maturing on February 21, 2020, issued in our February 2017 private placement and contingent warrants to acquire up to 1,052,630 common shares;
- warrants issued in connection with our February 2017 public offering in Canada to purchase up to 1,965,259 common shares at an exercise price of \$2.15 per common share, at any time until February 21, 2022 and 59,225 and 2,000 common shares issued on the exercise of certain of such warrants on November 22, 2017 and November 23, 2017, respectively;
- broker warrants issued in connection with our February 2017 public offering in Canada to purchase up to 234,992 common shares at an exercise price of \$2.15 per common share, at any time until February 21, 2018 and 117,496 common shares issued on the exercise of certain of such warrants on November 29, 2017;
- 60,000 common shares issued in connection with our February 2017 public offering in Canada for services received from an employee of Neptune;
- 9,496 common shares issued on April 7, 2017 in satisfaction of interest payable on the unsecured convertible debentures; and
- 23,885 common shares issued on August 15, 2017 in satisfaction of interest payable on the unsecured convertible debentures.

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The foregoing issuances were all made outside of the United States pursuant to Regulation S or pursuant to Section 4(a)(2) of the Securities Act.

### **Item 8. Exhibits and Financial Statement Schedules.**

- a. See the Exhibit Index to this registration statement.
- b. Financial statement schedules.

All financial statement schedules have been omitted because either they are not required, are not applicable or the information required therein is otherwise set forth in the registrant's financial statements and related notes thereto.

### **Item 9. Undertakings.**

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the undersigned registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;
  - ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.
  - iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

*provided, however*, that paragraphs (1)(i), (ii) and (iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) that are incorporated by reference in the registration statement, or, as to a registration statement.



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2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
4. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registration will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
  - i. Any preliminary prospectus or prospectus of the undersigned registration relating to the offering required to be filed pursuant to Rule 424;
  - ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registration or used or referred to by the undersigned registrant;
  - iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
  - iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
5. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
6. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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### EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
1.1#	<a href="#"><u>Form of Underwriting Agreement</u></a>
3.1	<a href="#"><u>Articles of Incorporation (incorporated by reference to Exhibit 4.1 from Form S-8 (File No. 333-191383) filed with the Commission on September 25, 2013)</u></a>
3.2	<a href="#"><u>Amended and Restated General By-Law (incorporated by reference to Exhibit 99.1 from Form 6-K (File No. 001-35776) filed with the Commission on February 21, 2017)</u></a>
3.3	<a href="#"><u>Advance Notice Bylaw No. 2013-1 (incorporated by reference to Exhibit 4.3 from Form S-8 (File No. 333-191383) filed with the Commission on September 25, 2013)</u></a>
4.1	<a href="#"><u>Specimen Certificate for Common Shares of Acasti Pharma Inc. (incorporated by reference to Exhibit 2.1 from Form 20-F (File No. 001-35776) filed with the Commission on June 6, 2014)</u></a>
4.2	<a href="#"><u>Warrant Indenture dated December 3, 2013 between Acasti Pharma Inc. and Computershare Trust Company of Canada (incorporated by reference to Exhibit 99.1 from Form 6-K (File No. 001-35776) filed with the Commission on December 3, 2013)</u></a>
4.3	<a href="#"><u>Warrant Indenture dated February 21, 2017 between Acasti Pharma Inc. and Computershare Trust Company of Canada (incorporated by reference to Exhibit 2.3 from Form 20-F (File No. 001-35776) filed with the Commission on June 27, 2017)</u></a>
4.4#	<a href="#"><u>Form of Warrant.</u></a>
4.5+	Form of Warrant Agency Agreement.
5.1#	<a href="#"><u>Opinion of Osler, Hoskin &amp; Harcourt LLP, counsel to Acasti Pharma Inc., as to the validity of the common shares</u></a>
10.1*	<a href="#"><u>License Agreement dated August 7, 2008, as modified on February 20, 2009 and March 7, 2013, between Acasti Pharma Inc. and Neptune Technologies &amp; Bioresources Inc.</u></a>
10.2*	<a href="#"><u>Prepayment Agreement, dated December 4, 2012, between Acasti Pharma Inc. and Neptune Technologies &amp; Bioresources Inc.</u></a>
10.3	<a href="#"><u>Equity Incentive Plan, as amended June 8, 2017 (incorporated by reference to Exhibit 4.2 from Form 20-F (File No. 001-35776) filed with the Commission on June 27, 2017)</u></a>
10.4	<a href="#"><u>Stock Option Plan, as amended June 8, 2017 (incorporated by reference to Exhibit 4.3 from Form 20-F (File No. 001-35776) filed with the Commission on June 27, 2017)</u></a>
10.5*	<a href="#"><u>Employment Agreement with Linda O'Keefe, dated November 25, 2016</u></a>
10.6*	<a href="#"><u>Employment Agreement with Janelle D'Alvise, dated May 11, 2016</u></a>
10.7*	<a href="#"><u>Employment Agreement with Pierre Lemieux, dated September 26, 2017</u></a>
10.8*	<a href="#"><u>Employment Agreement with Laurent Harvey, dated September 26, 2017</u></a>
23.1#	<a href="#"><u>Consent of KPMG LLP</u></a>
23.2#	<a href="#"><u>Consent of Osler, Hoskin &amp; Harcourt LLP (included in Exhibit 5.1)</u></a>
24.1*	<a href="#"><u>Powers of Attorney (included on signature page)</u></a>
99.1*	<a href="#"><u>Consent of Destum Partners, Inc.</u></a>

\* Previously filed.

# Filed herewith.

+ To be filed by amendment.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Encinitas, State of California on December 14, 2017.

**ACASTI PHARMA INC.**

By: /s/ Janelle D'Alvise

Name: Janelle D'Alvise

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Janelle D'Alvise</u> Janelle D'Alvise	President and Chief Executive Officer (Principal Executive Officer)	December 14, 2017
* <u>Linda P. O'Keefe</u>	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	December 14, 2017
* <u>Dr. Roderick N. Carter</u>	Chairman of the Board	December 14, 2017
* <u>Jean-Marie (John) Canan</u>	Director	December 14, 2017
* <u>Richard P. Schottenfeld</u>	Director	December 14, 2017
* <u>Katherine Crewe</u>	Director	December 14, 2017

\*By: /s/ Janelle D'Alvise

Janelle D'Alvise

Attorney-in-fact

**AUTHORIZED REPRESENTATIVE**

Pursuant to the requirements of Section 6(a) of the Securities Act of 1933, the undersigned has signed this Registration Statement, solely in the capacity of the duly authorized representative of Acasti Pharma Inc. in the United States, on December 14, 2017.

**ACASTI PHARMA INC.**

By: /s/ Janelle D'Alvise

Name: Janelle D'Alvise

Title: Chief Executive Officer

UNDERWRITING AGREEMENT

[●], 2017

The Benchmark Company, LLC  
150 East 58th St, 17th Floor  
New York, NY 10155

As Representative of the several Underwriters named on Schedule 1 attached hereto

Ladies and Gentlemen:

The undersigned, Acasti Pharma, Inc., a corporation governed by the laws of Quebec (the "Company"), hereby confirms its agreement (this "Agreement") with The Benchmark Company, LLC (hereinafter the "Representative") and with the other underwriters named on Schedule 1 hereto for which the Representative is acting as representative (the Representative and such other underwriters being collectively called the "Underwriters" or, individually, an "Underwriter") as follows:

1. Purchase and Sale of Shares.

(a) Shares and Warrants.

(i) Nature and Purchase of Shares.

(A) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the several Underwriters an aggregate of (a) [●] common shares, no par value (the "Common Shares") (such Common Shares, the "Firm Shares"), and (b) [●] Warrants each to purchase 0.90 Common Share at an exercise price of \$[●] per share (the "Firm Warrants" and, collectively with the Firm Shares, the "Closing Securities"). The Firm Shares and the Warrants (as defined below), as well as the Common Shares issuable upon exercise of the Warrants (the "Warrant Shares"), are hereinafter referred to together as the "Firm Securities".

(B) The Underwriters, severally and not jointly, agree to purchase from the Company the number of Firm Shares and Firm Warrants set forth opposite their respective names on Schedule 1 attached hereto. The combined purchase price for one Common Share and a Warrant to purchase one Warrant Share shall be \$[●] (93% of the public offering price) which shall be allocated as \$[●] per Common Share and \$0.00093 per Warrant. The Firm Shares and Warrants are to be offered initially to the public at the offering prices set forth on the cover page of the Prospectus (as defined in Section 2(a)(i)(A) hereof).

(ii) Payment and Delivery.

(A) Delivery and payment for the Firm Shares and Firm Warrants shall be made no later than 2:00 p.m., Eastern time, on the second (2<sup>nd</sup>) Business Day following the effective date (the "Effective Date") of the Registration Statement (as defined in Section 2(a)(i)(A) below) (or the third (3<sup>rd</sup>) Business Day following the Effective Date if the Registration Statement is declared effective after 4:01 p.m., Eastern time) or at such earlier time as shall be agreed upon by the Representative and the Company, at the offices of Schiff Hardin LLP, 901 K Street NW, Suite 700, Washington DC 20001 ("Representative Counsel"), or at such other place (or by electronic transmission) as shall be agreed upon by the Representative and the Company. The hour and date of delivery and payment for the Firm Shares and Firm Warrants is called the "Closing Date."

(B) Payment for the Firm Shares and Firm Warrants shall be made on the Closing Date by wire transfer in federal (same day) funds, payable to the order of the Company upon delivery of the certificates (in form and substance satisfactory to the Underwriters) representing the Firm Shares and Firm Warrants (or through the facilities of the Depository Trust Company ("DTC") or via a DWAC transfer), for the account of the Underwriters. The Firm Shares and Firm Warrants shall be registered in such name or names and in such authorized denominations as the Representative may request in writing prior to the Closing Date. The Company shall not be obligated to sell or deliver the Firm Shares and Firm Warrants except upon tender of payment by the Representative for all of the Firm Shares or via delivery versus payment for the Firm Shares and Firm Warrants. The term "Business Day" means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions are authorized or obligated by law to close in New York, New York.

(iii) Over-allotment Option

(A) Option Shares. For the purposes of covering any over-allotments in connection with the distribution and sale of the Firm Shares and Firm Warrants, the Company hereby grants to the Underwriters an option (the “Over-allotment Option”) to purchase, in the aggregate, up to [●] additional Common Shares (the “Option Shares”), from the Company, at a purchase price per share of \$[●] (93% of the public offering price allocated to each Firm Share) (the “Option Shares”) and/or (b) warrants to purchase up to [●] Common Shares at a purchase price of \$0.00093 per Warrant to purchase one Common Share (93% of the public offering price allocated to each Firm Warrant) (the “Option Warrants” and together with the Firm Warrants, the “Warrants”), which may be purchased in any combination of Option Shares and/or the Option Warrants. The Option Shares and the Option Warrants, as well as the Common Shares issuable upon exercise of the Option Warrants, are hereinafter referred to as the “Option Securities.” The Firm Securities and the Option Securities are collectively referred to as the “Public Securities.” The Public Securities shall be issued directly by the Company and shall have the rights and privileges described in the Registration Statement, the Pricing Disclosure Package and the Prospectus referred to below. The offering and sale of the Public Securities is herein referred to as the “Offering.”

(B) Exercise of Option. The Over-allotment Option granted pursuant to Section 1(a)(iii)(A) hereof may be exercised by the Representative as to all (at any time) or any part (from time to time) for any number of the Option Securities within 30 days after the Effective Date. The Underwriters shall not be under any obligation to purchase any the Option Securities prior to the exercise of the Over-allotment Option. The Over-allotment Option granted hereby may be exercised by the giving of oral notice to the Company from the Representative, which must be confirmed in writing by overnight mail or email or facsimile or other electronic transmission setting forth the number of the Option Shares and/or Option Warrants to be purchased and the date and time for delivery of and payment for the Option Shares and/or Option Warrants (the “Option Closing Date”), which shall not be later than five (5) full Business Days after the date of the notice or such other time as shall be agreed upon by the Company and the Representative, at the offices of Representative’s Counsel, or at such other place (including remotely by facsimile or other electronic transmission) as shall be agreed upon by the Company and the Representative. If such delivery and payment for the Option Securities does not occur on the Closing Date, the Option Closing Date will be as set forth in the notice. Upon exercise of the Over-allotment Option with respect to all or any portion of the Option Securities subject to the terms and conditions set forth herein, (i) the Company shall become obligated to sell to the Underwriters the number of the Option Securities specified in such notice and (ii) each of the Underwriters, acting severally and not jointly, shall purchase that portion of the total number of the Option Securities then being purchased as set forth in Schedule 1 opposite the name of such Underwriter.

(C) Payment and Delivery. Payment for the Option Securities shall be made on the Option Closing Date by wire transfer in Federal (same day) funds, payable to the order of the Company upon delivery to the Underwriters of certificates (in form and substance satisfactory to the Underwriters) representing the Option Securities (or through the facilities of DTC or DWAC transfer) for the account of the Underwriters. The Option Securities shall be registered in such name or names and in such authorized denominations as the Representative may request in writing prior to the Option Closing Date. The Company shall not be obligated to sell or deliver the Option Securities except upon tender of payment by the Representative for applicable Option Securities.

(iv) Representative’s Warrant

(A) Warrant Amount; Term. The Company hereby agrees to issue to the Representative (and/or its designees) on the Closing Date or Option Closing Date, as applicable, a five-year warrant (the “Representative’s Warrant”) for the purchase of a number of the Common Shares equal to 5.0% of the number of the Firm Shares or Option Shares issued in the Offering, pursuant to a warrant agreement in the form attached hereto as Exhibit A (the “Representative’s Warrant Agreement”), at an initial exercise price of \$[●], which is equal to 125% of the public offering price per Share. The Representative’s Warrant and the Common Shares issuable upon exercise of the Representative’s Warrant are hereinafter referred to together as the “Representative’s Securities.” The Representative understands and agrees that there are significant restrictions pursuant to FINRA Rule 5110 against transferring the Representative’s Warrant and the underlying securities during the one hundred eighty (180) days after the Effective Date and by its acceptance thereof shall agree that it will not sell, transfer, assign, pledge or hypothecate the Representative’s Warrant, or any portion thereof, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such securities for a period of one hundred eighty (180) days following the Effective Date to anyone other than (i) an Underwriter or a selected dealer in connection with the Offering, or (ii) a bona fide officer or partner of the Representative or of any such Underwriter or selected dealer; or as otherwise expressly permitted by Rule 5110(g), and only if any such transferee agrees to the foregoing lock-up restrictions.

(B) Delivery. Delivery of the Representative’s Warrant Agreement shall be made on the Closing Date and shall be issued in the name or names and in such authorized denominations as the Representative may request.

2. Representations and Warranties of the Company. The Company represents and warrants to the Underwriters as of the Applicable Time (as defined below) and as of the Closing Date and as of the Option Closing Date, as follows (unless otherwise indicated, all references to the Company in this Section 2 shall refer to the Company, its subsidiaries and its variable interest entities):

(a) Filing of Registration Statement.

(i) Pursuant to the Securities Act.

(A) The Company has filed with the U.S. Securities and Exchange Commission (the “Commission”) a registration statement, and an amendment or amendments thereto, on Form F-1 (File No. 333-220755), including any related prospectus or prospectuses, for the registration of the Public Securities under the Securities Act of 1933, as amended (the “Securities Act”), which registration statement and amendment or amendments have been prepared by the Company in conformity in all material respects with the requirements of the Securities Act and the rules and regulations of the Commission under the Securities Act (the “Securities Act Regulations”) and will contain all material statements that are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations. Except as the context may otherwise require, such registration statement, as amended, on file with the Commission at the time the registration statement became effective (including the Preliminary Prospectus included in the registration statement, financial statements, schedules, exhibits and all other documents filed as a part thereof or incorporated therein by reference and all information deemed to be a part thereof as of the Effective Date pursuant to paragraph (b) of Rule 430A of the Securities Act Regulations (the “Rule 430A Information”), is referred to herein as the “Registration Statement.” If the Company files any registration statement pursuant to Rule 462(b) of the Securities Act Regulations, then after such filing, the term “Registration Statement” shall include such registration statement filed pursuant to Rule 462(b). The Registration Statement has been declared effective by the Commission on the date hereof.

(B) Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a “Preliminary Prospectus.” The Preliminary Prospectus that was included in the Registration Statement immediately prior to the Applicable Time is hereinafter called the “Pricing Prospectus.” The final prospectus in the form first furnished to the Underwriters for use in the Offering is hereinafter called the “Prospectus.” Any reference to the “most recent Preliminary Prospectus” shall be deemed to refer to the latest Preliminary Prospectus included in the Registration Statement.

(C) “Applicable Time” means 4:30 p.m., Eastern time, on the date of this Agreement.

(D) “Issuer Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433 of the Securities Act Regulations (“Rule 433”), including without limitation any “free writing prospectus” (as defined in Rule 405 of the Securities Act Regulations) relating to the Public Securities that is (i) required to be filed with the Commission by the Company, (ii) a “road show that is a written communication” within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Public Securities or of the Offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

(E) “Issuer General Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors (other than a “*bona fide* electronic road show,” as defined in Rule 433 (the “Bona Fide Electronic Road Show”), as evidenced by its being specified in Schedule 2 hereto.

(F) “Issuer Limited Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

(G) “Pricing Disclosure Package” means any Issuer General Use Free Writing Prospectus issued at or prior to the Applicable Time, and the Pricing Prospectus, all considered together.

(ii) Pursuant to the Exchange Act. The Company has previously filed with the Commission a Form 8-A providing for the registration pursuant to Section 12(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”),

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of the Common Shares. The Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Shares under the Exchange Act, nor has the Company received any notification that the Commission is contemplating terminating such registration.

(b) Stock Exchange Listing. The Common Shares are listed on The NASDAQ Capital Market and the TSX Venture Exchange (collectively, the “Exchanges”), and the Common Shares (including the Warrant Shares) to be issued in this offering have been approved for listing on the Exchanges, subject to official notice of issuance, and the Company has taken no action designed to, or likely to have the effect of, delisting the Common Shares from the Exchanges, nor has the Company received any notification that either of the Exchanges is contemplating terminating such listing.

(c) Foreign Private Issuer. The Company is a “foreign private issuer” (as defined in Rule 405 under the Securities Act).

(d) No Stop Orders, etc. Neither the Commission nor, to the Company’s knowledge, any domestic, foreign or state regulatory authority has issued any order preventing or suspending the use of the Registration Statement, any Preliminary Prospectus or the Prospectus or has instituted or, to the Company’s knowledge, threatened to institute, any proceedings with respect to such an order. The Company has complied with each request (if any) from the Commission for additional information.

(e) Disclosures in Registration Statement.

(i) Compliance with Securities Act and 10b-5 Representation.

(A) Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus, including the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment or supplement thereto, and the Prospectus, at the time each was filed with the Commission, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus delivered to the Underwriters for use in connection with this Offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(B) Neither the Registration Statement nor any amendment thereto, at its effective time, as of the Applicable Time, at the Closing Date or at any Option Closing Date, contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(C) The Pricing Disclosure Package, as of the Applicable Time, at the Closing Date or at any Option Closing Date, did not, does not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Limited Use Free Writing Prospectus does not conflict in any material respect with the information contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, and each such Issuer Limited Use Free Writing Prospectus, as supplemented by and taken together with the Pricing Prospectus as of the Applicable Time, did not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements made or statements omitted in reliance upon and in conformity with written information furnished to the Company with respect to the Underwriters by the Representative expressly for use in the Registration Statement, the Pricing Prospectus or the Prospectus or any amendment thereof or supplement thereto. The parties acknowledge and agree that such information provided by or on behalf of any Underwriter consists solely of the disclosure contained in the “Underwriting” section of the Prospectus related to the compensation of the Underwriters and the stabilization activities of the Underwriters (the “Underwriters’ Information”); and

(D) Neither the Prospectus nor any amendment or supplement thereto (including any prospectus wrapper), as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), at the Closing Date or at any Option Closing Date, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to the Underwriters’ Information.



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(ii) Disclosure of Agreements. The agreements and documents described in the Registration Statement, the Pricing Disclosure Package and the Prospectus conform in all material respects to the descriptions thereof contained therein and there are no agreements or other documents required by the Securities Act and the Securities Act Regulations to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company is a party or by which it is or may be bound or affected and (i) that is referred to in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or (ii) is material to the Company's business, has been duly authorized and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company and, to the Company's knowledge, the other parties thereto, in accordance with its terms, except (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. None of such agreements or instruments has been assigned by the Company, and neither the Company nor, to the Company's knowledge, any other party is in material default thereunder and, to the Company's knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a material default thereunder, except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus. To the Company's knowledge, performance by the Company of the material provisions of such agreements or instruments will not result in a violation of any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court, domestic or foreign, having jurisdiction over the Company or any of its assets or business (each, a "Governmental Entity"), including, without limitation, those relating to environmental laws and regulations, that would reasonably be expected to constitute a Material Adverse Change.

(iii) Prior Securities Transactions. No securities of the Company have been sold by the Company or by or on behalf of, or for the benefit of, any person or persons controlling, controlled by or under common control with the Company, except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Preliminary Prospectus, other than Common Shares issued in satisfaction of interest payable on the Company's outstanding unsecured convertible debentures.

(iv) Regulations. The disclosures in the Registration Statement, the Pricing Disclosure Package and the Prospectus concerning the effects of federal, state, local and all foreign laws, rules and regulations relating to the Company's business as currently contemplated are correct in all material respects and no other such regulations are required to be disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus which are not so disclosed.

(f) Changes after Dates in Registration Statement.

(i) No Material Adverse Change. Since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings/losses, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company (any such change is called a "Material Adverse Change"), (ii) the Company has not incurred any material liability or obligation, indirect, direct or contingent nor entered into any material transaction or agreement, and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of share capital or repurchase or redemption by the Company of any class of share capital (other than Common Shares issued in satisfaction of interest payable on the Company's outstanding unsecured convertible debentures). Except as would not, individually or in the aggregate, have a Material Adverse Effect, the Company has not sent or received any communication regarding termination of, or intent not to renew, any of the contracts, agreements or customer relationships referred to or described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(ii) Recent Securities Transactions, etc. Subsequent to the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and except as may otherwise be indicated or contemplated herein or disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has

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not: (i) issued any securities (other than (i) grants under any share compensation plan, (ii) common shares issued upon exercise or conversion of option, warrants or convertible securities described in the Registration Statement, the Pricing Disclosure Package and the Prospectus or (iii) Common Shares issued in satisfaction of interest payable on the Company's outstanding unsecured convertible debentures) or incurred any liability or obligation, direct or contingent, for borrowed money; or (ii) declared or paid any dividend or made any other distribution on or in respect to its capital shares.

(g) Independent Accountants. To the knowledge of the Company, KPMG LLP (the "Auditor"), whose report is filed with the Commission as part of the Registration Statement, the Pricing Disclosure Package and the Prospectus, is an independent registered public accounting firm as required by the Securities Act and the Securities Act Regulations and the Public Company Accounting Oversight Board. The Auditor has not, during the periods covered by the financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act, other than tax services.

(h) Financial Statements, etc. The financial statements, including the notes thereto and supporting schedules included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, fairly present in all material respects the financial position and the results of operations of the Company at the dates and for the periods to which they apply; and such Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto; and the supporting schedules included in the Registration Statement present fairly in all material respects the information required to be stated therein. Except as included therein, no historical or pro forma financial statements are required to be included in the Registration Statement, the Pricing Disclosure Package or the Prospectus under the Securities Act or the Securities Act Regulations. The pro forma and pro forma as adjusted financial information and the related notes, if any, included in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been properly compiled and prepared in all material respects in accordance with the applicable requirements of the Securities Act and the Securities Act Regulations and present fairly in all material respects the information shown therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. All disclosures contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus regarding "non-IFRS financial measures" (as such term is defined by the rules and regulations of the Commission, including with respect to foreign private issuers), if any, comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act, to the extent applicable. Each of the Registration Statement, the Pricing Disclosure Package and the Prospectus discloses all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (a) the Company has not incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions other than in the ordinary course of business, (b) the Company has not declared or paid any dividends or made any distribution of any kind with respect to its capital stock, (c) there has not been any change in the capital stock of the Company (other than (i) grants under any share compensation plan, (ii) Common Shares issued upon exercise or conversion of option, warrants or convertible securities described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and (iii) Common Shares issued in satisfaction of interest payable on the Company's outstanding unsecured convertible debentures), and (d) there has not been any Material Adverse Change in the Company's long-term or short-term debt.

(i) Authorized Capital; Options, etc. The Company had, at the date or dates indicated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the duly authorized, issued and outstanding capitalization as set forth therein. Based on the assumptions stated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company will have on the Closing Date the adjusted share capitalization set forth therein. Except as set forth in, or contemplated by, the Registration Statement, the Pricing Disclosure Package and the Prospectus, on the Effective Date, as of the Applicable Time, on the Closing Date and any Option Closing Date, there will be no share options, warrants, or other rights to purchase or otherwise acquire any authorized, but unissued Common Shares or any security convertible or exercisable into Common Shares, or any contracts or commitments to issue or sell Common Shares or any such options, warrants, rights or convertible securities.

(j) Valid Issuance of Securities, etc.

(i) Outstanding Securities. All issued and outstanding securities of the Company issued prior to the transactions contemplated by this Agreement have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto, and are not subject to personal liability by reason of being such holders; and except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, none of such securities were issued in violation of the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company. The authorized Common Shares, Company preferred shares and other securities of the Company to be outstanding upon consummation of the Offering conform in all material respects to all statements relating thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus. The offers and sales of the outstanding Common Shares were at all relevant times either registered under the Securities Act and the applicable U.S. state securities or “blue sky” laws or, based in part on the representations and warranties of the purchasers of such shares, exempt from such registration requirements.

(ii) Securities Sold Pursuant to this Agreement. The Public Securities and Representative’s Securities have been duly authorized for issuance and sale and, when issued and paid for, will be validly issued, fully paid and non-assessable; the holders thereof are not and will not be subject to personal liability by reason of being such holders; the Public Securities and Representative’s Securities are not and will not be subject to the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company; and all corporate action required to be taken for the authorization, issuance and sale of the Public Securities and Representative’s Securities has been duly and validly taken; the Common Shares issuable upon exercise of the Warrants and the Representative’s Warrants have been duly authorized and reserved for issuance by all necessary corporate action on the part of the Company and when paid for and issued in accordance with such Warrants or Representative’s Warrants or exercised on a cashless basis as set forth in such Warrants or Representative’s Warrants, as the case may be, such Common Shares will be validly issued, fully paid and non-assessable; the Public Securities and Representative’s Securities conform in all material respects to all statements with respect thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(k) Registration Rights of Third Parties. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no holders of any securities of the Company or any rights exercisable for or convertible or exchangeable into securities of the Company have the right to require the Company to register any such securities of the Company under the Securities Act or to include any such securities in a registration statement to be filed by the Company (except for any such rights that have been waived).

(l) Validity and Binding Effect of Agreements. This Agreement, the Warrant Agreement by and between the Company and Computershare Trust Company N.A (the “Warrant Agent Agreement”), and the Representative’s Warrant Agreement have been duly and validly authorized by the Company, and, when executed and delivered, will constitute, the valid and binding agreements of the Company, enforceable against the Company in accordance with their respective terms, except: (i) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally; (ii) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws; and (iii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(m) Non-Contravention of Existing Instruments. The Company is not in violation of its articles or by-laws, and is not in default (nor would it be, with the giving of notice or lapse of time, in default) under any indenture, mortgage, loan or credit agreement, note, guarantee, contract, franchise, lease or other instrument to which the Company is a party or by which it is bound (including, without limitation, any credit agreement, guarantee, indenture, pledge agreement, security agreement or other instrument or agreement evidencing, guaranteeing, securing or relating to indebtedness of the Company, if any), or to which any of the property or assets of the Company is subject (each, an “Existing Instrument”), except for such defaults as would not be reasonably expected to, individually or in the aggregate, result in any change or effect in the business, operations, results of operations, assets, capitalization, financial condition, rights or liabilities of the Company which is materially adverse to the business, operations or financial condition of the Company (a “Material Adverse Effect”). The Company’s execution, delivery and performance of this Agreement and the Representative’s Warrant Agreement, the consummation of the transactions contemplated hereby and thereby and by the Prospectus and the issuance and sale of the Common Shares (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the constating documents or the by-laws of the Company, (ii) will not conflict with or constitute a breach of, or default or a Debt Repayment Triggering Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, or require the consent of any other party to, any Existing Instrument except for such conflicts, breaches, defaults or a Debt Repayment Triggering Event as would not be reasonably expected to, individually or in the aggregate, result in a Material Adverse Effect and (iii) will not result in any material violation of

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any law, administrative regulation or administrative or court decree applicable to the Company. As used herein, a “Debt Repayment Triggering Event” means any event or condition which gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company.

(n) Change in Legislation. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is not aware of any legislation, or proposed legislation, which it reasonably expects will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of the Company.

(o) FDA, Health Canada and Other Regulatory Authorities.

(i) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company holds all licenses, certificates, approvals and permits from all provincial, federal, state, United States, foreign and other regulatory authorities, including but not limited to the United States Food and Drug Administration (the “FDA”), Health Canada (“HC”), the European Medicines Agency (the “EMA”) and any foreign regulatory authorities performing functions similar to those performed by the FDA, HC and the EMA, that are material to the conduct of the business of the Company as such business is now conducted as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, all of which are valid and in full force and effect and there is no proceeding pending or, to the knowledge of the Company, threatened which may cause any such license, certificate, approval or permit to be withdrawn, cancelled, suspended or not renewed.

(ii) Nothing has come to the attention of the Company that has caused the Company to believe that the completed studies, tests, preclinical studies and clinical trials conducted by or on behalf of the Company that are described in the Registration Statement, the Pricing Disclosure Package and the Prospectus were not conducted, in all material respects, in accordance with experimental protocols, procedures and controls pursuant to, where applicable, accepted professional and scientific standards for products or product candidates comparable to those being developed by the Company; or that the drug substances used in the clinical trials have not been manufactured, in all material respects, under “current good manufacturing practices”, when required, in the United States, Canada and other jurisdictions in which such clinical trials have been and are being conducted.

(iii) No filing or submission to the FDA, HC, the EMA or any other regulatory body, that was or is intended to be the basis for any approval of the Company’s products or product candidates, to the knowledge of the Company, contains any material omission or material false information.

(iv) The Company is not in violation in any material respect, of any material law, order, rule, regulation, writ, injunction or decree of any court or governmental agency or body, applicable to the investigation of new drugs in humans and animals, including, but not limited to, those promulgated by the FDA, HC or the EMA.

(p) Clinical Trials. The descriptions in the Registration Statement, the Pricing Disclosure Package and the Prospectus of the results of the clinical trials referred to therein are consistent in all material respects with such results and no other studies or other clinical trials whose results are known to the Company are materially inconsistent with or otherwise materially call into question the results described or referred to in the Registration Statement, the Pricing Disclosure Package and the Prospectus. To the Company’s knowledge, the studies, tests and preclinical and clinical trials conducted by or on behalf of the Company were and, if still pending, are, in all material respects, being conducted in accordance with experimental protocols, procedures and controls pursuant to accepted professional scientific standards and all applicable laws and authorizations.

(q) Permits; Consents.

(i) All Necessary Permits, etc. The Company possesses such valid and current certificates, authorizations or permits issued by the appropriate federal, provincial, state, local or foreign regulatory agencies or bodies necessary to conduct its business, as now conducted, except where the failure to possess such certificates, authorizations or permits would not, individually or in the aggregate, result in a Material Adverse Effect, and the Company has not received, nor has any reason to believe that it will receive, any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Effect.

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(ii) Transactions Contemplated Herein. The Company has all corporate power and authority to enter into this Agreement and to carry out the provisions and conditions hereof, and all consents, authorizations, approvals and orders required in connection therewith have been obtained. No consent, authorization or order of, and no filing with, any court, government agency or other body is required for the valid issuance, sale and delivery of the Public Securities and the consummation of the transactions and agreements contemplated by this Agreement, and the Representative's Warrant and as contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, except with respect to applicable U.S. federal and state securities laws and the rules and regulations of the Financial Industry Regulatory Authority, Inc. ("FINRA").

(r) D&O Questionnaires. To the Company's knowledge, all information contained in the questionnaires (the "Questionnaires") completed by each of the Company's directors, officers and 10% shareholders immediately prior to the Offering (the "Insiders") as supplemented by all information concerning the Company's directors, officers and principal shareholders as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, provided to the Underwriters, is true and correct in all material respects and the Company has not become aware of any information which would cause the information disclosed in the Questionnaires to become materially inaccurate and incorrect.

(s) No Material Actions or Proceedings. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no legal or governmental actions, suits, claims, investigations or proceedings pending or, to the Company's knowledge, threatened or contemplated (i) against or affecting the Company, (ii) which have as the subject thereof any officer or director (in his or her capacity as such) of, or property owned or leased by, the Company or (iii) relating to environmental or discrimination matters, where in any such case (A) there is a reasonable expectation that such action, suit or proceeding will be determined adversely to the Company or such officer or director, (B) any such action, suit or proceeding, if so determined adversely, would reasonably be expected to result in a Material Adverse Effect or materially and adversely affect the consummation of the transactions contemplated by this Agreement and (C) any such action, suit or proceeding is or would be material in the context of the sale of the Common Shares. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no material labor dispute with the employees or independent contractors of the Company exists or, to the Company's knowledge, is threatened or imminent.

(t) Liabilities. The Company has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, which are not disclosed or referred to in the Registration Statement, the Pricing Disclosure Package and the Prospectus, other than liabilities, obligations, or indebtedness or commitments (i) incurred in the normal course of business, or (ii) which would not reasonably be expected to have a Material Adverse Effect.

(u) Incorporation and Good Standing of the Company. The Company does not own or control, directly or indirectly, any corporation, association or other entity. The Company has been duly incorporated and is validly existing as a Company in good standing under the Business Corporations Act (Québec) and has the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a corporation, foreign corporation, or extra-provincial corporation, as applicable, to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, result in a Material Adverse Effect.

(v) Insurance. The Company maintains insurance covering the properties, operations, personnel and business of the Company in such amounts and with such deductibles and covering such risks as are reasonably adequate and customary for its business. The Company has no knowledge that it will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not reasonably be expected to result in a Material Adverse Effect. The Company has not been denied any insurance coverage which it has sought or for which it has applied in the past two years.

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(w) Transactions Affecting Disclosure to FINRA.

(i) Finder's Fees. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no claims, payments, arrangements, agreements or understandings relating to the payment of a finder's, consulting or origination fee by the Company or any Insider with respect to the sale of the Public Securities hereunder or any other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its shareholders that may affect the Underwriters' compensation, as determined by FINRA.

(ii) Payments Within 180 Days. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has not made any direct or indirect payments (in cash, securities or otherwise) to: (i) any person, as a finder's fee, consulting fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who raised or provided capital to the Company; (ii) any FINRA member; or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member, within the 180-day period immediately preceding the original filing of the Registration Statement, other than the payment to the Underwriters as provided hereunder in connection with the Offering.

(iii) Use of Proceeds. None of the net proceeds of the Offering will be paid by the Company to any participating FINRA member or its affiliates, except as specifically authorized herein.

(iv) FINRA Affiliation. There is no (i) officer or director of the Company, (ii) to the Company's knowledge, beneficial owner of 5% or more of any class of the Company's securities or (iii) to the Company's knowledge, beneficial owner of the Company's unregistered equity securities which were acquired during the 180-day period immediately preceding the original filing of the Registration Statement that, in each case, is an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

(v) Information. To the Company's knowledge, all information provided by the Company's officers, directors or 5% shareholders in their FINRA Questionnaires to Representative Counsel specifically for use by Representative Counsel in connection with its Public Offering System filings (and related disclosure) with FINRA is true, correct and complete in all material respects.

(x) Foreign Corrupt Practices Act. Neither the Company nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company is aware of or has made any contribution or other payment or taken any action, directly or indirectly, that has resulted or would result in a violation of the Foreign Corrupt Practices Act of 1977 (United States), as amended, and the rules and regulations thereunder (the "FCPA"), or the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any "foreign public official" (as such term is defined in the CFPOA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the CFPOA.

(y) Compliance with OFAC. Neither the Company nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any other person acting on behalf of the Company, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), and the Company will not, directly or indirectly, use the proceeds of the Offering hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(z) Money Laundering Laws. The operations of the Company are, and have been conducted at all times, in compliance with all material applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970 (United States), as amended, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

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(aa) Officers' Certificate. Any certificate signed by any duly authorized officer of the Company and delivered to the Representative or to Representative Counsel shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

(bb) Lock-Up Agreements, Schedule 3 hereto contains a complete and accurate list of the Company's officers, directors and 10% or more shareholders (collectively, the "Lock-Up Parties"). The Company has caused each of the Lock-Up Parties to deliver to the Representative an executed Lock-Up Agreement, in the form attached hereto as Exhibit B (the "Lock-Up Agreement"), prior to the execution of this Agreement.

(cc) Subsidiaries. The Company has no direct or indirect subsidiaries or variable interest entities and does not hold any equity interests in any other entity.

(dd) Related Party Transactions. There are no material business relationships or related-party transactions within the meaning of IFRS required to be described in Registration Statement, the Pricing Disclosure Package and the Prospectus, which have not been described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(ee) Board of Directors. The Board of Directors of the Company is comprised of the persons set forth under the heading of the Pricing Prospectus and the Prospectus captioned "Board of Directors and Management." The qualifications of the persons serving as board members and the overall composition of the board comply with the Exchange Act, the Exchange Act Regulations, the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder (the "Sarbanes-Oxley Act") applicable to the Company and the listing rules of the Exchanges. At least one member of the Audit Committee of the Board of Directors of the Company qualifies as an "audit committee financial expert," as such term is defined under Regulation S-K and the listing rules of the Exchanges. In addition, at least a majority of the persons serving on the Board of Directors qualify as "independent," as defined under the listing rules of the Exchanges.

(ff) Sarbanes-Oxley Compliance.

(i) Disclosure Controls. The Company has developed and currently maintains disclosure controls and procedures that will comply with Rule 13a-15 or 15d-15 under the Exchange Act Regulations applicable to it, and such controls and procedures are effective to ensure that all material information concerning the Company will be made known on a timely basis to the individuals responsible for the preparation of the Company's Exchange Act filings and other public disclosure documents.

(ii) Compliance. The Company is, or at the Applicable Time and on the Closing Date will be, in material compliance with the provisions of the Sarbanes-Oxley Act applicable to it, and has implemented or will implement such programs and taken reasonable steps to ensure the Company's future compliance (not later than the relevant statutory and regulatory deadlines therefor) with all of the material provisions of the Sarbanes-Oxley Act.

(gg) Accounting Controls. The Company maintains systems of "internal control over financial reporting" (as defined under Rules 13a-15 and 15d-15 under the Exchange Act Regulations) that comply in all material respects with the requirements of the Exchange Act and have been designed by, or under the supervision of, its principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is not aware of any material weaknesses in its internal controls. The Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses, if any, in the design or operation of internal controls over financial reporting which are known to the Company's management and that have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, if any, known to the Company's management, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

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(hh) No Investment Company Status. The Company is not and, after giving effect to the Offering and the application of the proceeds thereof as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be, required to register as an “investment company,” as defined in the Investment Company Act of 1940, as amended.

(ii) Directors and Officers. To the knowledge of the Company, none of the current directors or officers of the Company are now, or have ever been, subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public corporation or of a corporation listed on a particular stock exchange.

(jj) Employment Standards, Human Rights Legislation. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no outstanding complaints against the Company before any government employment standards branch, tribunal or human rights tribunal, nor, to the knowledge of the Company, are there any threatened material complaints or any occurrence that may reasonably be expected to lead to a material complaint, in each case under any human rights legislation or employment standards legislation. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no outstanding decisions or settlements or pending settlements under any employment standards legislation that place any obligation upon the Company to do or to refrain from doing any act. The Company is not delinquent in any material respect in payments to any of its employees, consultants or independent contractors for any wages, salaries, commissions, bonuses or other direct compensation for any service performed for it or amounts required to be reimbursed to such employees, consultants or independent contractors, and all such amounts have been properly accrued in the books and records of the Company. The Company is in compliance in all material respects with all applicable laws related to employment, including those related to wages, hours and the payment and withholding of taxes and other sums as required by law and has not and is not engaged in any unfair labor practice.

(kk) Proposed Acquisition. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no material agreements, contracts, arrangements or understandings (written or oral) with any persons relating to the acquisition or proposed acquisition by the Company of any material interest in any business (or part of a business) or corporation, nor are there any other specific contracts or agreements (written or oral) in respect of any such matters in contemplation.

(ll) Intellectual Property Rights.

(i) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is the sole and exclusive owner of all right, title and interest in and to, or has a valid and enforceable right to use pursuant to a written license, all trademarks, trade names, service marks, patents, patent applications, other patent rights, copyrights, domain names, software, inventions, processes, databases, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) and other similar intellectual property rights, whether registered or unregistered and in any jurisdiction (collectively, “Intellectual Property Rights”) reasonably necessary to conduct its businesses as now conducted or proposed to be conducted as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, free and clear of all liens and encumbrances.

(ii) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, to the knowledge of the Company, the Company’s business as now conducted or proposed to be conducted as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, does not infringe, conflict with or otherwise violate any Intellectual Property Rights of others, and the Company has not received, and has no reason to believe that it will receive, any notice of infringement or conflict with asserted Intellectual Property Rights of others, or any facts or circumstances which would render any Intellectual Property Rights invalid or inadequate to protect the interest of the Company therein.

(iii) To the knowledge of the Company, there is no infringement by third parties of any Intellectual Property Rights owned by the Company.

(iv) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim relating to Intellectual Property Rights owned by the Company.

(v) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is not a party to or bound by any options, licenses or agreements with respect to the Intellectual Property Rights of any other person or entity.



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(vi) All licenses for Intellectual Property Rights owned or used by the Company are valid, binding upon and enforceable by or against the Company and, to the Company's knowledge, against the parties thereto in accordance with their terms.

(vii) None of the technology employed by the Company has been obtained or is being used by the Company in violation of any contractual obligation binding on the Company or, to the Company's knowledge, any of its officers, directors or employees or otherwise in violation of the rights of any third party.

(viii) Except as would not result in a Material Adverse Effect, all assignments from inventors to the Company have been obtained and filed with the appropriate patent offices for all of the Company's patent applications.

(ix) Except as would not reasonably be expected to result in a Material Adverse Effect, the Company does not have knowledge of any claims of third parties to any ownership interest or unregistered lien with respect to the Company's or its licensors' patents and patent applications.

(x) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company does not know of any facts which would form a basis for a finding of unenforceability or invalidity of any of the patents, trademarks or service marks of the Company.

(xi) The Company does not know of any material defects of form in the preparation or filing of the patent applications of the Company.

(xii) To the knowledge of the Company, the Company has complied with the U.S. Patents and Trademark Office duties of candor and disclosure for each patent and patent application of the Company.

(xiii) Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company does not know of any fact with respect to the patent applications of the Company presently on file that (A) would preclude the issuance of patents with respect to such applications, (B) would lead it to conclude that such patents, when issued, would not be valid and enforceable in accordance with applicable regulations or (C) would result in a third party having any rights in any patents issuing from such patent applications.

(xiv) The Company has taken all commercially reasonable steps to protect, maintain and safeguard each of its rights in all Intellectual Property Rights in each jurisdiction where the business of the Company is currently conducted, including to its knowledge, the execution of appropriate nondisclosure and confidentiality agreements.

(mm) Title to Properties. The Company has good and marketable title to all property and other assets reflected as owned by it in the Registration Statement, the Pricing Disclosure Package and the Prospectus, in each case (except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus) free and clear of any security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects except those that do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company. The real property, improvements, equipment and personal property held under lease by the Company are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the conduct of the business of the Company.

(nn) Tax Law Compliance. The Company has filed all U.S. federal, Canadian federal and all other foreign, provincial, state, local or other income and franchise tax returns required to be filed by it or has properly requested extensions thereof, other than those tax returns where the failure to file would not result in a Material Adverse Effect, and has paid all taxes and any similar assessment, including interest and penalties applicable thereto, that are due and payable by it, other than those being contested in good faith and by appropriate proceedings, those as to which adequate reserves have been provided or those where failure to pay would not, individually or in the aggregate, result in a Material Adverse Effect.

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(oo) Employee Benefit Laws. The Company is not in violation of or has not received notice of any violation with respect to any federal or state law relating to discrimination in the hiring, promotion or pay of employees, nor any applicable federal or state wages and hours law, nor any state law precluding the denial of credit due to the neighborhood in which a property is situated, the violation of any of which could reasonably be expected to have a Material Adverse Change.

(pp) Ineligible Issuer. At the time of filing the Registration Statement and any post-effective amendment thereto, at the time of effectiveness of the Registration Statement and any amendment thereto, at the earliest time thereafter that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act Regulations) of the Public Securities and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

(qq) Statistical and Market-Related Data. The statistical, demographic and market-related data included in the Registration Statement, the Pricing Disclosure Package or the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects or represent the Company’s good faith estimates that are made on the basis of data derived from such sources.

(rr) Forward-Looking Statements. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(ss) Export and Import Laws. The Company, and, to the Company’s knowledge, each of its affiliates, and any director, officer, agent or employee of, or other person associated with or acting on behalf of the Company, has acted at all times in compliance with applicable Export and Import Laws (as defined below) and there are no claims, complaints, charges, investigations or proceedings pending or expected or, to the knowledge of the Company, threatened between the Company or any of its Subsidiaries and any governmental authority under any Export or Import Laws. The term “Export and Import Laws” means the Arms Export Control Act, the International Traffic in Arms Regulations, the Export Administration Act of 1979, as amended, the Export Administration Regulations, and all other laws and regulations of the United States government regulating the provision of services to non-U.S. parties or the export and import of articles or information from and to the United States of America, and all similar laws and regulations of any foreign government regulating the provision of services to parties not of the foreign country or the export and import of articles and information from and to the foreign country to parties not of the foreign country.

(tt) Compliance with Environmental Laws.

(i) Except as would not, singly or in the aggregate, result in a Material Adverse Effect, the Company is not in violation of any federal, provincial, state, local, municipal or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, “Hazardous Materials”) or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, “Environmental Laws”);

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(ii) Except as would not, singly or in the aggregate, result in a Material Adverse Effect, the Company has all permits, authorizations and approvals required under any applicable Environmental Laws and is in compliance with their requirements;

(iii) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company; and

(iv) to the knowledge of the Company, there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company relating to Hazardous Materials or any Environmental Laws.

(uu) Integration. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the Offering to be integrated with prior offerings by the Company for purposes of the Securities Act that would require the registration of any such securities under the Securities Act.

(vv) Confidentiality and Non-Competition. To the Company's knowledge, no director, officer, key employee or consultant of the Company is subject to any confidentiality, non-disclosure, non-competition agreement or non-solicitation agreement with any employer or prior employer that could reasonably be expected to materially affect his ability to be and act in his respective capacity of the Company or be expected to result in a Material Adverse Change.

3. Covenants of the Company. The Company covenants and agrees as follows:

(a) Amendments to Registration Statement. The Company shall deliver to the Representative, prior to filing, any amendment or supplement to the Registration Statement or Prospectus proposed to be filed after the Effective Date and not file any such amendment or supplement to which the Representative shall reasonably object in writing; provided however, that this Section 3(a) shall not be applicable with respect to any supplements to the Registration Statement filed solely for the purpose of supplementing the Registration Statement or Prospectus with a report filed with the Commission by the Company pursuant to the Exchange Act.

(b) Federal Securities Laws.

(i) Compliance. The Company shall comply with the requirements of Rule 430A of the Securities Act Regulations, and will notify the Representative promptly, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective or any amendment or supplement to the Prospectus shall have been filed; (ii) of the receipt of any comments from the Commission; (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information; (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, or of the suspension of the qualification of the Public Securities and Representative's Securities for offering or sale in any jurisdiction, or of the initiation or, to the Company's knowledge, threatening, of any proceedings for any of such purposes or of any examination pursuant to Section 8(d) or 8(e) of the Securities Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the Securities Act in connection with the Offering of the Public Securities and Representative's Securities. The Company shall effect all filings required under Rule 424(b) of the Securities Act Regulations, in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and shall take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company shall use its commercially reasonable efforts to prevent the issuance of any stop order, prevention or suspension and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

(ii) Continued Compliance. The Company shall comply with the Securities Act, the Securities Act Regulations, the Exchange Act and the Exchange Act Regulations so as to permit the completion of the distribution of the Public Securities as contemplated in this Agreement and in the Registration Statement, the Pricing Disclosure Package and the Prospectus. If at any time when a prospectus relating to the Public Securities is (or, but for the exception afforded by Rule 172 of the Securities Act Regulations (“Rule 172”), would be) required by the Securities Act to be delivered in connection with sales of the Public Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) amend or supplement the Pricing Disclosure Package or the Prospectus in order that the Pricing Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the Pricing Disclosure Package or the Prospectus, as the case may be, in order to comply with the requirements of the Securities Act or the Securities Act Regulations, the Company will promptly (A) give the Representative notice of such event; (B) prepare any amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement, the Pricing Disclosure Package or the Prospectus comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Representative with copies of any such amendment or supplement and (C) file with the Commission any such amendment or supplement; provided that the Company shall not file or use any such amendment or supplement to which the Representative or counsel for the Underwriters shall reasonably object. The Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request. The Company has given the Representative notice of any filings made pursuant to the Exchange Act or the Exchange Act Regulations within 48 hours prior to the Applicable Time. The Company shall give the Representative notice of its intention to make any such filing from the Applicable Time until the later of the Closing Date and the exercise in full or expiration of the Over-allotment Option specified in Section 10 hereof and will furnish the Representative with copies of the related document(s) a reasonable amount of time prior to such proposed filing, as the case may be, and will not file or use any such document to which the Representative or counsel for the Underwriters shall reasonably object.

(iii) Free Writing Prospectuses. The Company agrees that, unless it obtains the prior written consent of the Representative, it shall not make any offer relating to the Public Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a “free writing prospectus,” or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; provided that the Representative shall be deemed to have consented to each Issuer General Use Free Writing Prospectus and any “road show that is a written communication” within the meaning of Rule 433(d)(8)(i) that has been reviewed and approved in writing by the Representative. The Company represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Underwriters as an “issuer free writing prospectus,” as defined in Rule 433, and that it has complied and will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Underwriters and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(c) Delivery to the Underwriters of Registration Statements. The Company has delivered or made available or shall deliver or make available to the Representative and counsel for the Representative, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts, and will also deliver to the Underwriters, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery to the Underwriters of Prospectuses. The Company has delivered or made available or will deliver or make available to each Underwriter, without charge, as many copies of each Preliminary Prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the Securities Act. The Company will furnish to each Underwriter, without charge, during the period when a prospectus relating to the Public Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, such number of copies of the

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Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Exchange Act Registration. Until the date on which no Warrants are outstanding, the Company shall use its commercially reasonable efforts to maintain the registration of the Common Shares under the Exchange Act.

(f) Reports to the Representative; Transfer Agent.

(i) Periodic Reports, etc. For a period of one (1) year after the date of this Agreement, the Company shall furnish or make available to the Representative copies of such financial statements and other periodic and special reports as the Company from time to time furnishes generally to holders of any class of its securities and also promptly furnish or make available to the Representative: (i) a copy of each periodic report the Company shall be required to file with the Commission under the Exchange Act and the Exchange Act Regulations; (ii) a copy of every press release and every news item and article with respect to the Company or its affairs which was released by the Company and filed or furnished on a Current Report on Form 8-K; (iii) a copy of each Current Report on Form 8-K prepared and filed by the Company; and (iv) five copies of each registration statement filed by the Company under the Securities Act. Documents filed with the Commission pursuant to its EDGAR system or otherwise filed with the Commission or made publicly available shall be deemed to have been delivered to the Representative pursuant to this Section 3(f)(i).

(ii) Transfer Agent. The Company shall maintain a transfer agent and registrar for the Common Shares and Warrants.

(g) Payment of Expenses.

(i) General Expenses Related to the Offering. The Company hereby agrees to pay on each of the Closing Date and the Option Closing Date, to the extent not paid at the Closing Date, all expenses incident to the performance of the obligations of the Company under this Agreement, including, but not limited to: (a) all documented filing fees and communication expenses relating to the registration of the Public Securities to be sold in the Offering with the Commission; (b) all actual Public Offering Filing System filing fees associated with the review of the Offering by FINRA; (c) all fees and expenses relating to the listing of the Common Shares on the Exchanges; (d) all fees, expenses and disbursements, if any, relating to the registration or qualification of the Public Securities under the "blue sky" securities laws of such states and other jurisdictions as the Representative may reasonably designate (including, without limitation, all filing and registration fees, and the reasonable fees and disbursements of "blue sky" counsel); (e) all actual fees, expenses and disbursements relating to the registration, qualification or exemption of the Public Securities under the securities laws of such foreign jurisdictions as the Representative may reasonably designate; (f) share transfer and/or stamp taxes, if any, payable upon the transfer of securities from the Company to the Underwriters; and (g) documented "road show" expenses, due diligence fees and expenses of the Underwriter (including, without limitation, domestic and foreign legal counsel, background checks, travel expenses and other diligence expenses) not to exceed a total of \$125,000 (less amounts previously advanced, provided that any portion of the advance not utilized shall be returned). The Representative may deduct from the net proceeds of the Offering payable to the Company on the Closing Date, or any Option Closing Date, if any, the expenses set forth herein (as limited by this Section 3(h)(i)) to be paid by the Company to the Underwriters, provided, however, that in the event that the Offering is terminated, the Company agrees to reimburse the Underwriters pursuant to Section 8(c) hereof.

(h) Application of Net Proceeds. The Company shall apply the net proceeds from the Offering received by it in a manner consistent with the application thereof described under the caption "Use of Proceeds" in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(i) Rule 158. The Company will timely file such reports pursuant to the Exchange Act as are necessary in order to make generally available to its security holders as soon as practicable an earnings statement for the purposes of, and to provide to the Underwriters the benefits contemplated by, Rule 158(a) under Section 11(a) of the Securities Act.

(j) Stabilization. Neither the Company nor, to its knowledge, any of its employees, directors or shareholders (without the consent of the Representative) has taken or shall take, directly or indirectly, any action designed to or that has constituted or that might reasonably be expected to cause or result in, under Regulation M of the Exchange Act, or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Public Securities.

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(k) FINRA. For a period of 90 days from the later of the Closing Date or the Option Closing Date, the Company shall advise the Representative (who shall make an appropriate filing with FINRA) if it is or becomes aware that (i) any officer or director of the Company, (ii) any beneficial owner of 5% or more of any class of the Company's securities or (iii) any beneficial owner of the Company's unregistered equity securities which were acquired during the 180 days immediately preceding the original filing of the Registration Statement is or becomes an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

(l) No Fiduciary Duties. The Company acknowledges and agrees that the Underwriters' responsibility to the Company is solely contractual in nature and that none of the Underwriters or their affiliates or any selling agent shall be deemed to be acting in a fiduciary capacity, or otherwise owes any fiduciary duty to the Company or any of its affiliates in connection with the Offering and the other transactions contemplated by this Agreement.

(m) Company Lock-Up Agreements. The Company, on behalf of itself and any successor entity, agrees that, without the prior written consent of the Representative, it will not, for a period of one hundred eighty (180) days after the date of this Agreement (the "Lock-Up Period"), (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company; (ii) file or cause to be filed any registration statement with the Commission relating to the offering of any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company (other than pursuant to a registration statement on Form S-8 for employee benefit plans); or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of capital stock of the Company, whether any such transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of shares of capital stock of the Company or such other securities, in cash or otherwise. The restrictions contained in this section shall not apply to (i) the Public Securities and the Representative's Securities to be sold hereunder; (ii) the issuance by the Company of Common Shares upon the exercise of an outstanding option or warrant or the conversion of a security outstanding on the date hereof and disclosed in the Registration Statement and the Pricing Disclosure Package, (iii) the grant by the Company of options or other share-based awards, or the issuance of shares of the Company under any equity compensation plan of the Company disclosed in the Pricing Prospectus, or (iv) the issuance of securities in connection with mergers, acquisitions, joint ventures, licensing arrangements or any other similar non-capital raising transactions.

(n) Blue Sky Qualifications. The Company shall use its commercially reasonable efforts, in cooperation with the Underwriters, if necessary, to qualify the Public Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representative may designate and to maintain such qualifications in effect so long as required to complete the distribution of the Public Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(o) Reporting Requirements. The Company, during the period when a prospectus relating to the Public Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act and Exchange Act Regulations. Additionally, the Company shall report the use of proceeds from the issuance of the Public Securities as may be required under Rule 463 under the Securities Act Regulations.

4. Conditions of Underwriters' Obligations. The obligations of the Underwriters to purchase and pay for the Public Securities, as provided herein, shall be subject to (i) the continuing accuracy of the representations and warranties of the Company as of the date hereof and as of each of the Closing Date and the Option Closing Date, if any; (ii) the accuracy of the statements of officers of the Company made pursuant to the provisions hereof; (iii) the performance by the Company of its obligations hereunder; and (iv) the following conditions:

(a) Regulatory Matters.

(i) Effectiveness of Registration Statement; Rule 430A Information. The Registration Statement has become effective not later than 5:00 p.m., Eastern time, on the date of this Agreement or such later date and time as shall be consented to in

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writing by the Representative, and, at each of the Closing Date and any Option Closing Date, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto shall have been issued under the Securities Act, no order preventing or suspending the use of any Preliminary Prospectus or the Prospectus shall have been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated by the Commission. The Company has complied with each request (if any) from the Commission for additional information. The Prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) (without reliance on Rule 424(b)(8)) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

(ii) FINRA Clearance. On or before the date of this Agreement, the Representative shall have received clearance from FINRA as to the amount of compensation allowable or payable to the Underwriters as described in the Registration Statement.

(iii) Exchange Stock Market Clearance. On the Closing Date, the Firm Shares shall have been approved for listing on the Exchange, subject only to official notice of issuance. On each Option Closing Date (if any), the Option Shares shall have been approved for listing on the Exchanges, subject only to official notice of issuance.

(b) Company Counsel Matters.

(i) Closing Date Opinion of U.S. and Canadian Counsel. On the Closing Date and on each Option Closing Date (if any), the Representative shall have received the favorable opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company, dated the Closing Date or Option Closing Date, as applicable, and addressed to the Representative, substantially in form and substance reasonably satisfactory to the Representative.

(ii) Closing Date Opinion of Intellectual Property Counsel for the Company. On the Closing Date and on each Option Closing Date (if any), the Representative shall have received the opinion of Norton Rose Fulbright Canada LLP, intellectual property counsel for the Company, dated the Closing Date or Option Closing Date, as applicable, addressed to the Representative, substantially in form and substance reasonably satisfactory to the Representative.

(iii) Closing Date Opinion of FDA Counsel for the Company. On the Closing Date and on each Option Closing Date (if any), the Representative shall have received the opinion of Foley & Lardner LLP, FDA counsel for the Company, dated the Closing Date or Option Closing Date, as applicable, addressed to the Representative, substantially in form and substance reasonably satisfactory to the Representative.

(c) Comfort Letters.

(i) Comfort Letter. At the time this Agreement is executed the Representative shall have received a cold comfort letter from KPMG LLP containing statements and information of the type customarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus, addressed to the Representative and in form and substance satisfactory in all respects to the Representative and to the Auditor, dated as of the date of this Agreement.

(ii) Bring-down Comfort Letter. At the Closing Date and on each Option Closing Date (if any), the Representative shall have received from KPMG LLP letter, dated as of the Closing Date or Option Closing Date, as applicable, to the effect that such Auditor reaffirms the statements made in the letter furnished pursuant to Section 4(c)(i), except that with respect to the initial comfort letter the specified date referred to shall be a date not more than three (3) business days prior to the Closing Date.

(d) Officers' Certificates.

(i) Officers' Certificate. The Company shall have furnished to the Representative a certificate, dated the Closing Date or Option Closing Date, as applicable, of its President and Chief Executive Officer, and its Chief Financial Officer stating on behalf of the Company and not in an individual capacity that (i) such officers have carefully examined the Registration Statement, the Pricing Disclosure Package, any Issuer Free Writing Prospectus and the Prospectus and, in their opinion, the Registration Statement and each amendment thereto, as of the Applicable Time and as of the Closing Date or Option Closing Date, as applicable, did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Pricing Disclosure Package, as of the Applicable Time and as of the Closing Date, any Issuer Free Writing Prospectus as of its date and as of the Closing Date or Option Closing Date, as applicable,

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the Prospectus and each amendment or supplement thereto, as of the respective date thereof and as of the Closing Date or Option Closing Date, as applicable, did not include any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, (ii) since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus, (iii) to their knowledge after reasonable investigation, as of the Closing Date or Option Closing Date, as applicable, the representations and warranties of the Company in this Agreement are true and correct in all material respects (except for those representations and warranties qualified as to materiality, which shall be true and correct in all respects and except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date) and the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date and any Option Closing Date (if such date is other than the Closing Date), and (iv) there has not been, subsequent to the date of the most recent audited financial statements included in the Pricing Disclosure Package, any Material Adverse Change in the financial position or results of operations of the Company, or any change or development that, singularly or in the aggregate, would involve a Material Adverse Change, in or affecting the condition (financial or otherwise), results of operations, business, assets or prospects of the Company, except as set forth in the Prospectus.

(ii) Secretary's Certificate. At each of the Closing Date and any Option Closing Date, the Representative shall have received a certificate of the Company signed by the Secretary of the Company, dated the Closing Date and Option Closing Date (if such date is other than the Closing Date), certifying: (i) that each of the articles and bylaws are true and complete, have not been modified and are in full force and effect; (ii) that the resolutions of the Company's Board of Directors relating to the Offering are in full force and effect and have not been modified; (iii) the good standing of the Company; and (iv) as to the incumbency of the officers of the Company. The documents referred to in such certificate shall be attached to such certificate.

(e) No Material Changes. Prior to and on each of the Closing Date and each Option Closing Date: (i) there shall have been no Material Adverse Change or development involving a prospective Material Adverse Change in the condition or the business activities, financial or otherwise, of the Company or any subsidiary or variable interest entity of the Company from the latest dates as of which such condition is set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (ii) no action, suit or proceeding, at law or in equity, shall have been pending or threatened against the Company or any Insider before or by any court or federal or state commission, board or other administrative agency wherein an unfavorable decision, ruling or finding would reasonably be expected to result in a Material Adverse Change, except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (iii) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission; and (iv) the Registration Statement, the Pricing Disclosure Package and the Prospectus and any amendments or supplements thereto shall contain all material statements which are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations and shall conform in all material respects to the requirements of the Securities Act and the Securities Act Regulations, and neither the Registration Statement, the Pricing Disclosure Package nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) Delivery of Agreements.

(i) Lock-Up Agreements. On or before the date of this Agreement, the Company shall have delivered to the Representative executed copies of the Lock-Up Agreements from each of the persons listed in Schedule 3 hereto.

(ii) Warrant Agent Agreement. On the Closing Date, the Company shall have delivered to the Representative an executed copy of the Warrant Agent Agreement.

(iii) Representative's Warrant Agreement. On the Closing Date, the Company shall have delivered to the Representative executed copies of the Representative's Warrant Agreement.

(g) Additional Documents. At the Closing Date, Representative Counsel shall have been furnished with such documents and opinions as they may require for the purpose of enabling Representative Counsel to deliver an opinion to the Underwriters, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Public Securities and the Representative's Securities as herein contemplated shall be satisfactory in form and substance to the Representative and Representative Counsel.



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5. Indemnification.

(a) Indemnification of the Underwriters. The Company agrees to indemnify and hold harmless each Underwriter, its affiliates and each person controlling such Underwriter (within the meaning of Section 15 of the Securities Act), and the directors, officers, agents and employees of each Underwriter, its affiliates and each such controlling person (each Underwriter, and each such entity or person hereafter is referred to as an “Indemnified Person”) from and against any losses, claims, damages, judgments, assessments, costs and other liabilities (collectively, the “Liabilities”), and shall reimburse each Indemnified Person for all fees and expenses (including the reasonable fees and expenses of counsel for the Indemnified Persons, except as otherwise expressly provided in this Agreement) (collectively, the “Expenses”) and agrees to advance payment of such Expenses as they are incurred by an Indemnified Person in investigating, preparing, pursuing or defending any actions, whether or not any Indemnified Person is a party thereto, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement, the Pricing Disclosure Package, the Preliminary Prospectus, the Prospectus or in any Issuer Free Writing Prospectus (as from time to time each may be amended and supplemented); (ii) any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the Offering, including any “road show” or investor presentations made to investors by the Company (whether in person or electronically); or (iii) any application or other document or written communication (in this Section, collectively called “application”) executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Public Securities and Representative’s Securities under the securities laws thereof or filed with the Commission, any state securities commission or agency, the Exchange or any other national securities exchange; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon, and in conformity with, the Underwriters’ Information. The Company also agrees to reimburse each Indemnified Person for all Expenses as they are incurred in connection with such Indemnified Person’s enforcement of his or its rights under this Agreement.

(b) Procedure. Upon receipt by an Indemnified Person of actual notice of an action against such Indemnified Person with respect to which indemnity may reasonably be expected to be sought under this Agreement, such Indemnified Person shall promptly notify the Company in writing; provided that failure by any Indemnified Person so to notify the Company shall not relieve the Company from any obligation or liability which the Company may have on account of this Section 5 or otherwise to such Indemnified Person, except to the extent the Company is materially prejudiced as a proximate result of such failure. The Company shall have the right to assume the defense of any such action (including the employment of counsel designated by the Company and reasonably satisfactory to the Representative). Any Indemnified Person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless: (i) the Company has failed promptly to assume the defense and employ counsel reasonably satisfactory to the Representative for the benefit of the Underwriters and the other Indemnified Persons or (ii) such Indemnified Person shall have been advised that in the opinion of counsel that there is an actual or potential conflict of interest that prevents (or makes it imprudent for) the counsel engaged by the Company for the purpose of representing the Indemnified Person, to represent both such Indemnified Person and any other person represented or proposed to be represented by such counsel. The Company shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing all Indemnified Persons who are parties to such action), which counsel (together with any local counsel) for the Indemnified Persons shall be selected by the Representative. The Company shall not be liable for any settlement of any action effected without its written consent (which shall not be unreasonably withheld). In addition, the Company shall not, without the prior written consent of the Underwriters, settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action in respect of which advancement, reimbursement, indemnification or contribution may be sought hereunder (whether or not such Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination (i) includes an unconditional release of each Indemnified Person, from all Liabilities arising out of such action for which indemnification or contribution may be sought hereunder and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any Indemnified Person. The advancement, reimbursement, indemnification and contribution obligations of the Company required hereby shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as every Liability and Expense is incurred and is due and payable, and in such amounts as fully satisfy each and every Liability and Expense as it is incurred (and in no event later than 30 days following the date of any invoice therefore).

(c) Indemnification of the Company. Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and persons who control the Company within

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the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all Liabilities, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or in any application, in reliance upon, and in strict conformity with, the Underwriters' Information. In case any action shall be brought against the Company or any other person so indemnified based on any Preliminary Prospectus, the Registration Statement, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or in any application, and in respect of which indemnity may be sought against any Underwriter, such Underwriter shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the several Underwriters by the provisions of Section 5(b). The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers, directors or any person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, in connection with the issuance and sale of the Public Securities or in connection with the Registration Statement, the Pricing Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus; provided that failure by the Company so to notify the Representative shall not relieve any Underwriter from any obligation or liability which such Underwriter may have on account of this Section 5 or otherwise to the Company, except to the extent such Underwriter is materially prejudiced as a proximate result of such failure.

(d) Contribution. If the indemnification provided for in this Section 5 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 5(a) or 5(c) in respect of any Liabilities and Expenses referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such Liabilities and Expenses, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and each of the Underwriters, on the other hand, from the Offering, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the matters as to which such Liabilities or Expenses relate, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, with respect to such Offering shall be deemed to be in the same proportion as the total proceeds from the Offering purchased under this Agreement (before deducting expenses) received by the Company bear to the total underwriting discount and commissions actually received by the Underwriters in connection with the Offering, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company, on the one hand, and the Underwriters, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement, omission, act or failure to act; provided that the parties hereto agree that the written information furnished to the Company through the Representative by or on behalf of any Underwriter for use in any Preliminary Prospectus, any Registration Statement or the Prospectus, or in any amendment or supplement thereto, consists solely of the Underwriters' Information. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). Notwithstanding the above, no person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from a party who was not guilty of fraudulent misrepresentation.

(e) Limitation. The Company also agrees that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with advice or services rendered or to be rendered by any Indemnified Person pursuant to this Agreement, the transactions contemplated thereby or any Indemnified Person's actions or inactions in connection with any such advice, services or transactions, except to the extent that a court of competent jurisdiction has made a finding that Liabilities (and related Expenses) of the Company have resulted primarily from such Indemnified Person's gross negligence or willful misconduct in connection with any such advice, actions, inactions or services.

(f) Survival. The advancement, reimbursement, indemnity and contribution obligations set forth in this Section 5 shall remain in full force and effect regardless of any termination of, or the completion of any Indemnified Person's services under or in connection with, this Agreement.

6. Default by an Underwriter.

(a) Default Not Exceeding 10% of Public Securities. If any Underwriter or Underwriters shall default in its or their obligations to purchase the Closing Securities or the Option Securities, if the Over-allotment Option is exercised hereunder, and if the number of the Closing Securities or the Option Securities with respect to which such default relates does not exceed in the aggregate 10% of the number of the Closing Securities or the Option Securities that all Underwriters have agreed to purchase hereunder, then such Closing Securities or the Option Securities to which the default relates shall be purchased by the non-defaulting Underwriters in proportion to their respective commitments hereunder.

(b) Default Exceeding 10% of Public Securities. In the event that the default addressed in Section 6(a) relates to more than 10% of the Closing Securities or the Option Securities, the Representative may in its discretion arrange for itself or for another party or parties to purchase such Closing Securities or the Option Securities to which such default relates on the terms contained herein. If, within one (1) Business Day after such default relating to more than 10% of the Closing Securities or the Option Securities, the Representative does not arrange for the purchase of such Closing Securities or the Option Securities, then the Company shall be entitled to a further period of one (1) Business Day within which to procure another party or parties satisfactory to the Representative to purchase said Closing Securities or the Option Securities on such terms. In the event that neither the Representative nor the Company arrange for the purchase of the Closing Securities or the Option Securities to which a default relates as provided in this Section 6, this Agreement will automatically be terminated by the Representative or the Company without liability on the part of the Company (except as provided in Sections 3(g) and 5 hereof) or the several Underwriters (except as provided in Section 5 hereof); and provided, further, that nothing herein shall relieve a defaulting Underwriter of its liability, if any, to the other Underwriters and to the Company for damages occasioned by its default hereunder.

(c) Postponement of Closing Date. In the event that the Closing Securities or the Option Securities to which the default relates are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties as aforesaid, the Representative or the Company shall have the right to postpone the Closing Date or Option Closing Date for a reasonable period, but not in any event exceeding five (5) Business Days, in order to effect whatever changes may thereby be made necessary in the Registration Statement, the Pricing Disclosure Package or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus that in the opinion of counsel for the Underwriter may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any party substituted under this Section 6 with like effect as if it had originally been a party to this Agreement with respect to such Securities.

7. Additional Covenants.

(a) Prohibition on Press Releases and Public Announcements. The Company shall not issue press releases or engage in any other publicity, without the Representative's prior written consent (such consent not to be unreasonably withheld), for a period ending at 5:00 p.m., Eastern time, on the first (1<sup>st</sup>) Business Day following the thirtieth (30<sup>th</sup>) day after the Closing Date, other than normal and customary releases issued in the ordinary course of the Company's business.

(b) Intentionally omitted.

8. Effective Date of this Agreement and Termination Thereof.

(a) Effective Date. This Agreement shall become effective when both the Company and the Representative have executed the same and delivered counterparts of such signatures to the other party.

(b) Termination. The Representative shall have the right to terminate this Agreement at any time prior to any Closing Date, (i) if any domestic or international event or act or occurrence has materially disrupted, or in Representative's opinion will in the immediate future materially disrupt, general securities markets in the United States; or (ii) if trading on the New York Stock Exchange or the NASDAQ Stock Market LLC shall have been suspended or materially limited, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required by FINRA or by order of the Commission or any other government authority having jurisdiction; or (iii) if the United States shall have become involved in a new war or an increase in major hostilities; or (iv) if a banking moratorium has been declared by a New York State or federal authority; or (v) if a moratorium on foreign exchange trading has been declared which materially adversely impacts the United States securities markets; or (vi) if the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other

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calamity or malicious act which, whether or not such loss shall have been insured, will, in Representative opinion, make it inadvisable to proceed with the delivery of the Closing Securities; or (vii) if the Company is in material breach of any of its representations, warranties or covenants hereunder; or (viii) if the Representative shall have become aware after the date hereof of such a Material Adverse Change in the conditions of the Company, or such adverse material change in general market conditions as in the Representative's judgment would make it impracticable to proceed with the offering, sale and/or delivery of the Public Securities or to enforce contracts made by the Underwriters for the sale of the Public Securities. Section 5 of this Agreement shall survive any termination of this Agreement.

(c) Expenses. Notwithstanding anything to the contrary in this Agreement, except in the case of a default by the Underwriters pursuant to Section 6(b) above, in the event that this Agreement shall not be carried out for any reason whatsoever, within the time specified herein or any extensions thereof pursuant to the terms herein, the Company shall be obligated, subject to the limitations set forth in Section 6(b), above to pay to the Underwriters their reasonable and documented out-of-pocket expenses related to the transactions contemplated herein then due and payable and upon demand the Company shall pay the full amount thereof to the Representative on behalf of the Underwriters (less any amounts previously advanced to the Representative). Notwithstanding the foregoing, any advance received by the Representative will be reimbursed to the Company to the extent not actually incurred in compliance with FINRA Rule 5110(f)(2)(C).

(d) Indemnification. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Section 5 shall remain in full force and effect and shall not be in any way affected by, such election or termination or failure to carry out the terms of this Agreement or any part hereof.

(e) Representations, Warranties, Agreements to Survive. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its Affiliates or selling agents, any person controlling any Underwriter, its officers or directors or any person controlling the Company or (ii) delivery of and payment for the Public Securities.

#### 9. Miscellaneous.

(a) Notices. All communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be mailed (registered or certified mail, return receipt requested), or personally delivered and shall be deemed given when so delivered or if mailed, two (2) days after such mailing.

If to the Representative:

The Benchmark Company, LLC  
150 East 58th Street, 17th Floor  
New York, New York 10155  
Attention: Managing Director

If to the Company:

Acasti Pharma Inc.  
545 Promenade du Centropolis, Suite 100  
Laval, Québec, Canada H7T 0A3  
Attention: President

(b) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(c) Amendment. This Agreement may only be amended by a written instrument executed by each of the parties hereto.

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(d) Entire Agreement. Except as set forth in the following sentence, this Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and thereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof. This Agreement shall replace and supersede the Engagement Letter between the Company and Benchmark Company LLC dated September 5, 2017; provided that Section 8 of such Engagement Letter shall survive the execution of this Agreement.

(e) Binding Effect. This Agreement shall inure solely to the benefit of and shall be binding upon the Representative, the Underwriters, each Indemnified Person referred to in Section 5, the Company and the controlling persons, directors and officers referred to in Section 5 hereof, and their respective successors, legal representatives, heirs and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. The term “successors and assigns” shall not include a purchaser, in its capacity as such, of securities from any of the Underwriters.

(f) Governing Law; Consent to Jurisdiction; Trial by Jury. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Agreement shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9(a) hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company agrees that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys’ fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(g) Execution in Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Delivery of a signed counterpart of this Agreement by email/pdf transmission shall constitute valid and sufficient delivery thereof.

(h) Waiver, etc. The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way effect the validity of this Agreement or any provision hereof or the right of any of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

**[Signature Page Follows]**

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If the foregoing correctly sets forth the understanding between the Underwriters and the Company, please so indicate in the space provided below.

Very truly yours,

**Acasti Pharma Inc.**

By: \_\_\_\_\_  
Name:  
Title:

Confirmed as of the date first written above mentioned, on behalf of itself and as Representative of the several Underwriters named on Schedule 1 hereto:

**The Benchmark Company, LLC**

By: \_\_\_\_\_  
Name:  
Title:

On behalf of each of the Underwriters

[SIGNATURE PAGE]  
ACASTI PHARMA INC. – UNDERWRITING AGREEMENT

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**SCHEDULE 1**

<u>Underwriter</u>	<u>Total Number of Shares to be Purchased</u>	<u>Number of Shares to be Purchased if the Over-Allotment Option is Fully Exercised</u>	<u>Total Number of Warrants to be Purchased</u>	<u>Number of Warrants to be Purchased if the Over-Allotment Option is Fully Exercised</u>
The Benchmark Company, LLC				
Dawson James Securities, Inc.				
<b>Total</b>				

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**SCHEDULE 2**

**Issuer General Use Free Writing Prospectuses**

None.



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**SCHEDULE 3**

**List of Lock-Up Parties**

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**EXHIBIT A**

**Form of Representative's Warrant Agreement**

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### Form of Underwriter's Warrant Agreement

THIS PURCHASE WARRANT AND THE SECURITIES DELIVERABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE LAW. THIS PURCHASE WARRANT MAY NOT BE OFFERED FOR SALE, SOLD, EXERCISED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE LAW WHICH, IN THE OPINION OF COUNSEL TO THE COMPANY, IS AVAILABLE.

THE REGISTERED HOLDER OF THIS PURCHASE WARRANT BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN THIS PURCHASE WARRANT EXCEPT AS HEREIN PROVIDED AND THE REGISTERED HOLDER OF THIS PURCHASE WARRANT AGREES THAT IT WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS PURCHASE WARRANT FOR A PERIOD OF ONE HUNDRED EIGHTY DAYS FOLLOWING THE EFFECTIVE DATE (DEFINED BELOW) TO ANYONE OTHER THAN (I) THE BENCHMARK COMPANY, LLC OR AN UNDERWRITER OR A SELECTED DEALER IN CONNECTION WITH THE OFFERING, OR (II) A BONA FIDE OFFICER OR PARTNER OF THE BENCHMARK COMPANY, LLC OR OF ANY SUCH UNDERWRITER OR SELECTED DEALER.

THIS PURCHASE WARRANT AND THE SECURITIES DELIVERABLE UPON EXERCISE HEREOF ARE SUBJECT TO CERTAIN RESALE RESTRICTIONS IN CANADA PURSUANT TO THE PROVISIONS OF APPLICABLE CANADIAN SECURITIES LAWS AND CERTAIN RESTRICTIONS UPON TRANSFER PURSUANT TO THE TERMS HEREOF.

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT BEFORE [•], 2018.

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [•], 2018. VOID AFTER 5:00 P.M., EASTERN TIME, [•], 2022.

### COMMON SHARE PURCHASE WARRANT

For the Purchase of [•] Common Shares  
of  
ACASTI PHARMA INC.

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of THE BENCHMARK COMPANY, LLC ("**Holder**"), as registered owner of this Purchase Warrant, to ACASTI PHARMA INC., a corporation governed by the laws of Quebec (the "**Company**"), Holder is entitled, at any time or from time to time from [•], 2018 (the "**Commencement Date**"), and at or before 5:00 p.m., Eastern time, [•], 2022, which will be the five-year anniversary of the effective date of the Company's Form F-1 registration statement (File No. 333-220755) (such date, the "**Effective Date**") (the "**Expiration Date**"), but not thereafter, to subscribe for, purchase and receive, in whole or

in part, up to [●] common shares of the Company, no par value (the “Shares”), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at \$[●] per Share; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term “**Exercise Price**” shall mean the initial exercise price or the adjusted exercise price, depending on the context.

## 2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, Holder may elect to receive the number of Shares equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the exercise form attached hereto, in which event the Company will issue to Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X	=	The number of Shares to be issued to Holder;
Y	=	The number of Shares for which the Purchase Warrant is being exercised;
A	=	The fair market value of one Share; and
B	=	The Exercise Price.

For purposes of this Section 2.2, the fair market value of a Share is defined as follows:

- (i) if the Company’s common shares are traded on a securities exchange, the value shall be deemed to be the closing price on such exchange prior to the exercise form being submitted in connection with the exercise of the Purchase Warrant; or
- (ii) if the Company’s common shares are actively traded over-the-counter, the value shall be deemed to be the closing bid prior to the exercise form being submitted in connection with the exercise of the Purchase Warrant; if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Company’s Board of Directors.

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the “**Act**”):

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the “**Act**”), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law which, in the opinion of counsel to the Company, is available.”

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Each certificate for the securities purchased under this Purchase Warrant issued upon exercise of this Purchase Warrant prior to the date that is four months and a day after the Effective Date (as defined below), or if the securities purchased under this Purchase Warrant are entered into a direct registration or other electronic book-entry only system, or if the holder does not directly receive a certificate representing the securities issued upon exercise of this Purchase Warrant, the written notice confirming issuance thereof, will also bear the following legend:

“Unless permitted under securities legislation, the holder of this security must not trade the security in Canada or to or for the benefit of a Canadian resident before [●], 2018.”

2.4 Accredited Investor. The Holder is an “accredited investor” as defined in Rule 501(a) under the Act and of National Instrument 45-106 respecting prospectus exemptions, and is receiving the Purchase Warrant pursuant to an exemption from the prospectus requirements of applicable securities laws.

2.5 Resale of Shares. Holder and the Company acknowledge that as of the date hereof the Staff of the Division of Corporation Finance of the SEC has published Compliance & Disclosure Interpretation 528.04 in the Securities Act Rules section thereof, stating that the holder of securities issued in connection with a public offering may not rely upon Rule 144 promulgated under the Act to establish an exemption from registration requirements under Section 4(a)(1) under the Act, but may nonetheless apply Rule 144 constructively for the resale of such shares in the following manner: (a) provided that six months has elapsed since the last sale under the registration statement, an underwriter or finder may resell the securities in accordance with the provisions of Rule 144(c), (e), and (f), except for the notice requirement; (b) a purchaser of the shares from an underwriter receives restricted securities unless the sale is made with an appropriate, current prospectus, or unless the sale is made pursuant to the conditions contained in (a) above; (c) a purchaser of the shares from an underwriter who receives restricted securities may include the underwriter’s holding period, provided that the underwriter or finder is not an affiliate of the issuer; and (d) if an underwriter transfers the shares to its employees, the employees may tack the firm’s holding period for purposes of Rule 144(d), but they must aggregate sales of the distributed shares with those of other employees, as well as those of the underwriter or finder, for a six-month period from the date of the transfer to the employees. Holder and the Company also acknowledge that the Staff of the Division of Corporation Finance of the SEC has advised in various no-action letters that the holding period associated with securities issued without registration to a service provider commences upon the completion of the services, which the Company agrees and acknowledges shall be the closing of the Offering, and that Rule 144(d)(3)(ii) provides that securities acquired from the issuer solely in exchange for other securities of the same issuer shall be deemed to have been acquired at the same time as the securities surrendered for conversion (which the Company agrees is the date of the initial issuance of this Purchase Warrant). In the event that following a request by Holder to transfer the Shares in accordance with Compliance & Disclosure Interpretation 528.04 counsel for the Company reasonably concludes that Compliance & Disclosure Interpretation 528.04 no longer may be relied upon as a result of changes in applicable laws, regulations, or interpretations of the SEC Division of Corporation Finance, or as a result of judicial interpretations not known by the Company or its counsel on the date hereof (either, a “Registration Trigger Event”), then the Company shall promptly, and in any event within five (5) business days following the request, provide written notice to Holder of such determination. As a condition to giving such notice, the Company shall offer Holder a single demand registration right pursuant to an agreement in form acceptable to the Holder; provided that notwithstanding anything to the contrary, the obligations of the Company pursuant to this Section 2 shall terminate on the fifth anniversary of the Effective Date. In the absence of such conclusion by counsel for the Company, the Company shall, upon request of Holder given no earlier than six months after the final closing of the Offering, instruct its transfer agent to permit the transfer of such shares in accordance with Compliance & Disclosure Interpretation 528.04, provided that Holder has provided such documentation as shall be reasonably be requested by the Company to establish compliance with the conditions of Compliance & Disclosure Interpretation 528.04.

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### 3. Transfer.

3.1 General Restrictions. The registered Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, that such Holder will not: (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant for a period of one hundred eighty (180) days following the Effective Date to anyone other than: (i) THE BENCHMARK COMPANY, LLC (“**Benchmark**”) or an underwriter or a selected dealer participating in the Offering, or (ii) a bona fide officer or partner of Benchmark or of any such underwriter or selected dealer, in each case in accordance with FINRA Conduct Rule 5110(g)(1), (b) cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(g)(2). After 180 days after the Effective Date, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with the Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. Subject to applicable securities laws, the Company shall within five (5) Business Days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment, or (c) sell, transfer, assign, pledge or hypothecate this Purchase Warrant or the securities issuable upon exercise of this Purchase Warrant in Canada or to or for the benefit of a Canadian resident before [●], 2018, unless otherwise permitted under applicable securities legislation.

3.2 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) the Company has received the opinion of counsel for the Holder that the securities may be transferred pursuant to (a) an exemption from registration under the Act and applicable state securities laws, and (b) an exemption from the prospectus or other requirements of applicable Canadian securities laws, the availability of which is established to the reasonable satisfaction of the Company (the Company hereby agreeing that the opinion of Schiff Hardin LLP shall be deemed satisfactory evidence of the availability of an exemption under the Act and applicable U.S. state securities laws and, for purposes of the Holder’s reliance on the availability of the appropriate exemption from the prospectus or other requirements of applicable Canadian securities laws, the Company shall instruct its Canadian counsel to render any required opinion), or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and compliance with applicable state securities law has been established and compliance with applicable Canadian securities laws including a receipted final prospectus under provincial or territorial laws unless otherwise offered or sold pursuant to an available exemption from, or in a transaction not subject to, the prospectus or other requirements of applicable Canadian securities laws.

### 4. Registration Rights.

4.1 Grant of Right. The Holder shall have the right for a period of no more than five years from the Effective Date to include the Shares underlying the Purchase Warrants (collectively, the “**Registrable Securities**”) as part of any other registration of securities filed by the Company (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Securities Act or pursuant to Form S-8 or any equivalent form); provided, however, that if, solely in connection with any primary underwritten public offering for the account of the Company, the managing underwriter(s) thereof shall, in its reasonable discretion, impose a limitation on the number of common shares which may

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be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which the Holder requested inclusion hereunder as the underwriter shall reasonably permit. Any exclusion of Registrable Securities shall be made pro rata among the Holders seeking to include Registrable Securities in proportion to the number of Registrable Securities sought to be included by such Holders; provided, however, that the Company shall not exclude any Registrable Securities unless the Company has first excluded all outstanding securities, the holders of which are not entitled to inclusion of such securities in such Registration Statement or are not entitled to pro rata inclusion with the Registrable Securities.

4.2 Terms. The Company shall bear all fees and expenses attendant to registering the Registrable Securities pursuant to this Section 4 hereof, but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. In the event of such a proposed registration, the Company shall furnish the then Holders of outstanding Registrable Securities with not less than ten (10) days written notice prior to the proposed date of filing of such registration statement. Such notice to the Holders shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been registered for resale under the Act or sold by the Holder. The holders of the Registrable Securities shall exercise the "piggy-back" rights provided for herein by giving written notice within ten (10) days of the receipt of the Company's notice of its intention to file a registration statement. Except as otherwise provided in this Purchase Warrant, there shall be no limit on the number of times the Holder may request registration under this section; provided, however, that such "piggy-back" registration rights shall terminate on the fifth anniversary of the Effective Date in accordance with FINRA Rule 5110(f)(2)(G)(v).

4.3 Indemnification. The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such Holders within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify the Holder(s) pursuant to the underwriting agreement relating to such registration statement (the "**Underwriting Agreement**"). The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, in writing, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in the Underwriting Agreement pursuant to which the underwriters have agreed to indemnify the Company.

4.3 Exercise of Purchase Warrants. Nothing contained in this Purchase Warrant shall be construed as requiring the Holder(s) to exercise their Purchase Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

4.4 Documents Delivered to Holders. The Company shall deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter, if any, copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda

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relating to discussions with the Commission or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of FINRA. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times, during normal business hours, as any such Holder shall reasonably request.

4.5 Underwriting Agreement. If the Company shall enter into an underwriting agreement, pursuant to which Registrable Securities of a Holder are being registered, such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders, their Shares and their intended methods of distribution.

4.6 Documents to be Delivered by Holder(s). Each of the Holder(s) participating in any of the foregoing offerings shall furnish to the Company (i) a completed and executed questionnaire provided by the Company requesting information customarily sought of selling security holders.

5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a share dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.



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6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

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7. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Purchase Warrants shall be outstanding, the Company shall use its commercially reasonable efforts to cause all Shares issuable upon exercise of the Purchase Warrants to be listed (subject to official notice of issuance) on all national securities exchanges (or, if applicable, quoted on the OTC Bulletin Board or any successor trading market) on which the Company's common shares may then be listed and/or quoted.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least ten (10) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the shareholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be. Notwithstanding the foregoing, the Company shall deliver to each Holder a copy of each notice given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or share reconstruction or amalgamation) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's Chief Financial Officer.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

The Benchmark Company, LLC  
150 East 58th Street, 17th Floor  
New York, New York 10155  
Attention: Managing Director

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If to the Company:

Acasti Pharma Inc.  
545 Promenade du Centropolis, Suite 100  
Laval, Québec, Canada H7T 0A3  
Attention: President

9. Miscellaneous.

9.1 Amendments. The Company and Benchmark may from time to time supplement or amend this Purchase Warrant without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Benchmark may deem necessary or desirable and that the Company and Benchmark deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3 Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. Each of the Company and the Holder hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. Each of the Company and the Holder hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company or the Holder may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company and the Holder in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

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9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and Benchmark enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

***[Signature Page Follows]***

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IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the [●] day of November, 2017.

Acasti Pharma Inc.

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_, 20\_\_\_\_

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for \_\_\_\_\_ common shares, no par value (the “**Shares**”), of Acasti Pharma Inc., a corporation governed by the laws of Quebec (the “**Company**”), and hereby makes payment of \$ \_\_\_\_\_ (at the rate of \$ \_\_\_\_\_ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_\_\_ Shares of the Company under the Purchase Warrant for \_\_\_\_\_ Shares, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

- X = The number of Shares to be issued to Holder;
- Y = The number of Shares for which the Purchase Warrant is being exercised;
- A = The fair market value of one Share which is equal to \$ \_\_\_\_\_ ; and
- B = The Exercise Price which is equal to \$ \_\_\_\_\_ per share

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

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INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: \_\_\_\_\_  
(Print in Block Letters)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto the right to purchase common shares, no par value, of Acasti Pharma Inc., a corporation governed by the laws of Quebec (the “**Company**”), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_\_\_

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.



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**EXHIBIT B**

**Form of Lock-Up Agreement**

**SERIES 10 COMMON SHARE WARRANT CERTIFICATE**

**ACASTI PHARMA INC.**

Warrant Shares: \_\_, \_\_, \_\_  
Warrant Number: 10-1

Initial Exercise Date: December \_\_, 2017  
Issue Date: December \_\_, 2017

CUSIP: 0430K170 \_\_\_\_\_  
ISIN: CA00430K1701 \_\_\_\_\_

THIS SERIES [ ] COMMON SHARE PURCHASE WARRANT CERTIFICATE (the "Warrant") certifies that, for value received, [ ] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after December \_\_, 2017 (the "Initial Exercise Date") and on or prior to the close of business on the five (5) year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from Acasti Pharma Inc., a Québec, Canada corporation (the "Company"), up to \_\_, \_\_, \_\_ Common Shares (as subject to adjustment hereunder, the "Warrant Shares"). The purchase price of one Common Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b). Unless initially settled through delivery of a physical certificate registered in the name of the Holder hereof (in which case this sentence shall not apply), this Warrant shall initially be issued and maintained in the form of a security held in book-entry form and the Depository Trust Company or its nominee ("DTC") shall initially be the sole registered holder of this Warrant, subject to a Holder's right to elect to receive a Warrant in certificated form pursuant to the terms of the Warrant Agency Agreement, in which case this sentence shall not apply.

Section 1. Definitions. The following terms shall have the meanings indicated in this Section 1:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the Canada or the United States or any day on which banking institutions in the Province of Québec or the State of New York are authorized or required by law or other governmental action to close.

"Commission" means the United States Securities and Exchange Commission.

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“Common Shares” means the class A common shares of the Company, no par value, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Share Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Shares, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Shares.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Registration Statement” means the Company’s registration statement on Form F-1 (File No. 333-220755).

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Subsidiary” means any subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Trading Day” means a day on which the principal Trading Market is open for business.

“Trading Market” means any of the following markets or exchanges on which the Common Shares are listed or quoted for trading on the date in question: The Toronto Stock Exchange, the TSX Venture Exchange, the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing); provided that if and to the extent that the Common Shares are listed on a United States national securities exchange and a Canadian stock exchange, “Trading Market” shall be deemed to be the United States national securities exchange.

“Transfer Agent” means Computershare Trust Company of Canada, the current transfer agent of the Company, with a mailing address of 1500 Robert-Bourassa Boulevard, 7th Floor Montreal, Quebec H3A 3S8, a phone number of (514) 982-7888, and an e-mail address of \_\_\_\_\_, and any successor transfer agent of the Company.

“Warrant Agency Agreement” means that certain warrant agency agreement, dated as of the Initial Exercise Date, between the Company and the Warrant Agent.

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“Warrant Agent” means Computershare Inc., and its wholly-owned subsidiary, Computershare Trust Company N.A. and any successor warrant agent of the Company.

“Warrants” means this Warrant and other Series 10 Common Share Purchase Warrants issued by the Company pursuant to the Registration Statement.

Section 2. Exercise.

a) Exercise of Warrant. Subject to the provisions of Section 2(e) herein, exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise in the form annexed hereto. Within two (2) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier’s check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

Notwithstanding the foregoing in this Section 2(a), a holder whose interest in this Warrant is a beneficial interest in certificate(s) representing this Warrant held in book-entry form through DTC (or another established clearing corporation performing similar functions), shall effect exercises made pursuant to this Section 2(a) by delivering to DTC (or such other clearing corporation, as applicable) the appropriate instruction form for exercise, complying with the procedures to effect exercise that are required by DTC (or such other clearing corporation, as applicable), subject to a Holder’s right to elect to receive a Warrant in certificated form pursuant to the terms of the Warrant Agency Agreement, in which case this sentence shall not apply.

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b) Exercise Price. The exercise price per Common Share under this Warrant shall be US\$\_\_\_\_\_, subject to adjustment hereunder (the “Exercise Price”).

c) Cashless Exercise. If at the time of exercise, there is no effective registration statement registering, or no current prospectus available for, the issuance of the Warrant Shares to the Holder, then this Warrant may only be exercised, in whole or in part, at such time by means of a “cashless exercise” in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the last VWAP immediately preceding the time of delivery of the Notice of Exercise giving rise to the applicable “cashless exercise”, as set forth in the applicable Notice of Exercise (to clarify, the “last VWAP” will be the last VWAP as calculated over an entire Trading Day such that, in the event that this Warrant is exercised at a time that the Trading Market is open, the prior Trading Day’s VWAP shall be used in this calculation);

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised. The Company agrees not to take any position contrary to this Section 2(c).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Shares for such date (or the nearest preceding date) on the Trading Market on which the Common Shares are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported in the “Pink Sheets” published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Shares so reported, or (d) in all other cases, the fair market value of a Common Share as determined by an independent appraiser selected in good faith by the holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

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d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. Subject to applicable Canadian securities laws, the Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) this Warrant is being exercised via cashless exercise, and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is two (2) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). Upon delivery of the Notice of Exercise the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the Warrant Shares; provided that payment of the aggregate Exercise Price (other than in the case of a Cashless Exercise) is received within two Trading Days of delivery of the Notice of Exercise. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Shares on the date of the applicable Notice of Exercise), \$10 per Trading Day for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

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iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, Common Shares to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the Common Shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of Common Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Shares having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of Common Shares with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and upon the request of the Company evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver Common Shares upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

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vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of Common Shares beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of Common Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Common Shares which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Share Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution



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Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding Common Shares, a Holder may rely on the number of outstanding Common Shares as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of Common Shares outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of Common Shares then outstanding. In any case, the number of outstanding Common Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding Common Shares was reported. The "Beneficial Ownership Limitation" shall be 4.99% (or, upon election by a Holder prior to the issuance of any Warrants, 9.99%) of the number of Common Shares outstanding immediately after giving effect to the issuance of Common Shares issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of Common Shares outstanding immediately after giving effect to the issuance of Common Shares upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61<sup>st</sup> day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

f) Call Provision. Subject to the provisions of Section 2(e) and this Section 2(f), if, after the one (1) year anniversary of Initial Exercise Date, (i) the VWAP for each of 30 consecutive Trading Days (the "Measurement Period," which 30 consecutive Trading Day period shall not have commenced until after the Initial Exercise Date) exceeds \$\_\_\_ (subject to adjustment for forward and reverse stock splits, recapitalizations, stock dividends and the like after the Initial Exercise Date), (ii) the average daily volume for such Measurement Period

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exceeds \$ \_\_\_\_\_ per Trading Day and (iii) the Holder is not in possession of any information that constitutes, or might constitute, material non-public information which was provided by the Company, any of its Subsidiaries or any of their officers, directors, employees, agents or Affiliates, then the Company may, within 3 Trading Days of the end of such Measurement Period, call for cancellation of all or any portion of this Warrant for which a Notice of Exercise has not yet been delivered (such right, a “Call”) for consideration equal to \$.01 per Warrant Share. To exercise this right, the Company must deliver to the Holder an irrevocable written notice (a “Call Notice”), indicating therein the portion of unexercised portion of this Warrant to which such notice applies. If the conditions set forth below for such Call are satisfied from the period from the date of the Call Notice through and including the Call Date (as defined below), then any portion of this Warrant subject to such Call Notice for which a Notice of Exercise shall not have been received by the Call Date will be cancelled at 6:30 p.m. (New York City time) on the [fifth] Trading Day after the date the Call Notice is received by the Holder (such date and time, the “Call Date”). Any unexercised portion of this Warrant to which the Call Notice does not pertain will be unaffected by such Call Notice. In furtherance thereof, the Company covenants and agrees that it will honor all Notices of Exercise with respect to Warrant Shares subject to a Call Notice that are tendered through 6:30 p.m. (New York City time) on the Call Date. The parties agree that any Notice of Exercise delivered following a Call Notice which calls less than all of the Warrants shall first reduce to zero the number of Warrant Shares subject to such Call Notice prior to reducing the remaining Warrant Shares available for purchase under this Warrant. For example, if (A) this Warrant then permits the Holder to acquire 100 Warrant Shares, (B) a Call Notice pertains to 75 Warrant Shares, and (C) prior to 6:30 p.m. (New York City time) on the Call Date the Holder tenders a Notice of Exercise in respect of 50 Warrant Shares, then (x) on the Call Date the right under this Warrant to acquire 25 Warrant Shares will be automatically cancelled, (y) the Company, in the time and manner required under this Warrant, will have issued and delivered to the Holder 50 Warrant Shares in respect of the exercises following receipt of the Call Notice, and (z) the Holder may, until the Termination Date, exercise this Warrant for 25 Warrant Shares (subject to adjustment as herein provided and subject to subsequent Call Notices). Subject again to the provisions of this Section 2(f), the Company may deliver subsequent Call Notices for any portion of this Warrant for which the Holder shall not have delivered a Notice of Exercise. Notwithstanding anything to the contrary set forth in this Warrant, the Company may not deliver a Call Notice or require the cancellation of this Warrant (and any such Call Notice shall be void), unless, from the beginning of the Measurement Period through the Call Date, (1) the Company shall have honored in accordance with the terms of this Warrant all Notices of Exercise delivered by 6:30 p.m. (New York City time) on the Call Date, and (2) the Registration Statement shall be effective as to all Warrant Shares and the prospectus thereunder available for use by the Company for the sale of all such Warrant Shares to the Holder, and (3) the Common Shares shall be listed or quoted for trading on the Trading Market, and (4) there is a sufficient number of

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authorized Common Shares for issuance of all Warrant Shares, and (5) the issuance of the shares shall not cause a breach of any provision of Section 2(e) herein. The Company's right to call the Warrants under this Section 2(f) shall be exercised ratably among the Holders based on the then outstanding number of Warrants.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Shares or any other equity or equity equivalent securities payable in Common Shares (which, for avoidance of doubt, shall not include any Common Shares issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding Common Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares or (iv) issues by reclassification of Common Shares any shares of capital of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED]

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Share Equivalents or rights to purchase shares, warrants, securities or other property pro rata to the record holders of any class of Common Shares (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Common Shares acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of s Common Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Common Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

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d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, shares or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “Distribution”), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Common Shares acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Common Shares are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder’s right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to exercise this Warrant to participate in such Distribution to such extent (or in the beneficial ownership of any Common Shares as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation. To the extent that this Warrant has not been partially or completely exercised at the time of such Distribution, such portion of the Distribution shall be held in abeyance for the benefit of the Holder until the Holder has exercised this Warrant or this Warrant has expired (in which latter case the Holder would not receive the Distribution).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Shares or any compulsory share exchange pursuant to which the Common Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Common Shares (not including any

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Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of Common Shares for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one Common Share in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction other than one in which a Successor Entity (as defined below) that is a publicly traded corporation whose stock is quoted or listed on a Trading Market assumes this Warrant such that the Warrant shall be exercisable for the publicly traded common stock of such Successor Entity and only if such Fundamental Transaction is within the Company’s control, the Company or any Successor Entity shall, at the Holder’s option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction; provided, however, if the Fundamental Transaction is not within the Company’s control, including not approved by the Company’s Board of Directors, Holder shall have the option to require the Company or any Successor Entity to purchase its Warrant for the Black Scholes Value of the unexercised portion of this Warrant as of the date of consummation of such Fundamental Transaction using the same type or form of consideration (and in the same proportion) that is being offered and paid to the holders of Common Stock of the Company in connection with the Fundamental Transaction, whether that consideration be in the form of cash, stock or any combination thereof, or whether the holders of Common Stock are given the choice to receive from among alternative forms of consideration in connection with the Fundamental Transaction. Any cash payment will be made by wire transfer of immediately available funds within five Business Days of the Holder’s election (or, if later, on the effective date of the Fundamental Transaction). “Black Scholes Value” means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the “OV” function on Bloomberg, L.P. (“Bloomberg”) determined as of the day of consummation

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of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”) to assume in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 3(e) pursuant to written agreements prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Common Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Common Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. For the avoidance of doubt, if, at any time while this Warrant is outstanding, a Fundamental Transaction occurs, pursuant to the terms of this Section 5(e), the Holder shall not be entitled to receive more than one of (i) the consideration receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction, (ii) an amount of cash equal to the Black Scholes Value of the remaining unconverted portion of this Warrant on the date of the consummation of such Fundamental Transaction, or (iii) the assumption by the Successor Entity of all of the obligations of the Company under this Warrant and the option to receive a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Shares (excluding treasury shares, if any) issued and outstanding.

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g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by facsimile or e-mail a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Shares, (C) the Company shall authorize the granting to all holders of the Common Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Common Shares, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Shares are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or e-mail to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Shares of record shall be entitled to exchange their Common Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 6-K or Form 8-K, as applicable. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

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#### Section 4. Transfer of Warrant.

a) Transferability. This Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. If this Warrant is not held in global form through DTC (or any successor depository), this Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Warrant Agent shall register this Warrant, upon records to be maintained by the Warrant Agent for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company and the Warrant Agent may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

#### Section 5. Miscellaneous.

a) No Rights as Shareholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a shareholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.



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b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any share certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or share certificate, if mutilated, the Company will make and deliver a new Warrant or share certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or share certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Shares a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will

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(i) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (ii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of this Warrant shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant. If any party shall commence an action or proceeding to enforce any provisions of this Warrant, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

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h) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Exercise, shall be in writing and delivered personally, by facsimile, by e-mail or sent by a nationally recognized overnight courier service, addressed to the Company, at [●], Attention: [●], facsimile number [●], E-mail: [●], or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holders. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, by e-mail or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Warrant Agent. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or e-mail at the e-mail address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or e-mail at the e-mail address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. Notwithstanding any other provision of this Warrant, where this Warrant provides for notice of any event to the Holder, if this Warrant is held in global form by DTC (or any successor depository), such notice shall be sufficiently given if given to DTC (or any successor depository) pursuant to the procedures of DTC (or such successor depository), subject to a Holder's right to elect to receive a Warrant in certificated form pursuant to the terms of the Warrant Agency Agreement, in which case this sentence shall not apply.

i) Warrant Agency Agreement. If this Warrant is held in global form through DTC (or any successor depository), this Warrant is issued subject to the Warrant Agency Agreement. To the extent any provision of this Warrant conflicts with the express provisions of the Warrant Agency Agreement, the provisions of this Warrant shall govern and be controlling.

j) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Shares or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

k) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

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l) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

m) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company, on the one hand, and the Holder or the beneficial owner of this Warrant, on the other hand.

n) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

o) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

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*(Signature Page Follows)*

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IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

**ACASTI PHARMA INC.**

By: \_\_\_\_\_  
Name:  
Title:

**NOTICE OF EXERCISE**

TO: ACASTI PHARMA INC.

(1) The undersigned hereby elects to purchase \_\_\_\_\_ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

in lawful money of the United States; or

if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_

If the Warrant being exercised is a held in global form through DTC (or any successor depositary) the Warrant Shares shall be delivered to the following DWAC Account Number:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If the Warrant being exercised is not held in global form through DTC (or any successor depositary), the Warrant Shares shall be delivered to the following address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[SIGNATURE OF HOLDER]

Name of Investing Entity: \_\_\_\_\_

*Signature of Authorized Signatory of Investing Entity:* \_\_\_\_\_

Name of Authorized Signatory: \_\_\_\_\_

Title of Authorized Signatory: \_\_\_\_\_

Date: \_\_\_\_\_

**ASSIGNMENT FORM**

*(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)*

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_  
(Please Print)

Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

Holder's Signature: \_\_\_\_\_

Holder's Address: \_\_\_\_\_

**Osler, Hoskin & Harcourt LLP**  
 1000 De La Gauchetière Street West  
 Suite 2100  
 Montréal, Québec, Canada H3B 4W5  
 514.904.8100 MAIN  
 514.904.8101 FACSIMILE



Montréal December 14, 2017

Toronto **Acasti Pharma Inc.**  
 545 Promenade du Centropolis  
 Calgary Suite 100  
 Laval, Quebec  
 Ottawa H7T 0A3

Vancouver Dear Sirs/Mesdames:

New York **Re: Acasti Pharma Inc. - Registration Statement on Form F-1**

We have acted as Canadian and U.S. counsel to Acasti Pharma Inc. (the “**Corporation**”), a corporation governed by the *Business Corporations Act (Québec)*, in connection with the registration of up to 7,505,556 common shares of the Corporation (the “**Shares**”) and 6,754,500 warrants to acquire common shares of the Corporation (the “**Warrants**”) pursuant to a Registration Statement on Form F-1 (Registration Statement No. 333-220755) (as amended to date, the “**Registration Statement**”) filed with the Securities and Exchange Commission (the “**SEC**”) under the Securities Act of 1933, as amended (the “**Securities Act**”) to be issued by the Corporation pursuant to an underwriting agreement (the “**Underwriting Agreement**”) to be entered into among the Corporation and The Benchmark Company, LLC, as representative of the other underwriters named on Schedule 1 thereto.

We have examined the Registration Statement and all such corporate and public records, statutes and regulations and have made such investigations and have reviewed such other documents as we have deemed relevant and necessary and have considered such questions of law as we have considered relevant and necessary in order to give the opinion hereinafter set forth. As to various questions of fact material to such opinions which were not independently established, we have relied upon a certificate of an officer of the Corporation.

In reviewing the foregoing documents and in giving this opinion, we have assumed the legal capacity of all individuals, the genuineness of all signatures, the veracity of the information contained therein, the authenticity of all documents submitted to us as originals and the conformity to authentic or original documents of all documents submitted to us as certified, conformed, electronic, photostatic or facsimile copies.

We are qualified to practice law in the Province of Québec and this opinion is rendered solely with respect to the Province of Québec and the federal laws of Canada applicable in the Province of Québec and, as it relates to the Warrants, the laws of the State of New York.

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On the basis of the foregoing, we are of the opinion that, when the Shares and Warrants will have been issued and sold pursuant to the terms of the Underwriting Agreement, (i) the Shares will be validly issued, fully paid and non-assessable, (ii) the Warrants, provided that they have been duly executed (as applicable) and delivered by the Corporation to the purchasers thereof against payment therefor, will be valid and legally binding obligations of the Corporation, enforceable against the Corporation in accordance with their terms, (iii) the common shares of the Corporation underlying the warrants, when issued and delivered by the Corporation against payment therefor, upon the exercise of the Warrants in accordance with their terms and the terms of the warrant agreement included as an exhibit to the Registration Statement, will be validly issued, fully paid and non-assessable.

We hereby consent to the reference to us under the heading "Legal Matters" in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Yours very truly,

*(signed) Osler, Hoskin & Harcourt LLP*

Osler, Hoskin & Harcourt LLP



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## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors  
Acasti Pharma Inc.

We consent to the use of our report dated June 6, 2017 with respect to the financial statements of Acasti Pharma Inc., which comprise the statements of financial position as at March 31, 2017 and February 29, 2016, the statements of earnings and comprehensive loss, changes in equity and cash flows for the thirteen-month period ended March 31, 2017 and the years ended February 29, 2016 and February 28, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information, included herein and to the reference to our firm under the heading “Experts” in the prospectus.

Our report dated June 6, 2017 contains an emphasis of matter paragraph that states that Acasti Pharma Inc. has incurred operating losses and negative cash flows from operations since inception, that its current assets as at March 31, 2017 are projected to be significantly less than needed and that its future operations are dependent on obtaining additional financing, which, along with other matters as set forth in 2(c) in the financial statements, indicate the existence of a material uncertainty that casts substantial doubt about Acasti Pharma Inc.’s ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the going concern basis was not appropriate. Our report dated June 6, 2017 also contains an “other matter” paragraph that states that the financial statements of Acasti Pharma Inc. as at February 28, 2017 and for the twelve-month and one-month periods ended February 28, 2017 and March 31, 2017 respectively are unaudited and we do not express an opinion on them.

/s/ KPMG LLP\*

December 14, 2017  
Montréal, Canada

\* CPA auditor, CA, public accountancy permit No. A119178