Financial Statements of

ACASTI PHARMA INC.

For the years ended March 31, 2019, 2018 and the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Acasti Pharma Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of financial position of Acasti Pharma, Inc. (the Company) as of March 31, 2019 and 2018, the related statements of earnings and comprehensive loss, changes in equity, and cash flows for the years ended March 31, 2019 and 2018 and the thirteen-month period ended March 31, 2017, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and its financial performance and its cash flows for the years ended March 31, 2019 and 2018 and the thirteen-month period ended March 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

Without qualifying our opinion on the financial statements, we draw attention to Note 2 (c) to the financial statements, which indicates that the Company has incurred operating losses and negative cash flows from operations since inception, and additional funds will be needed in the future for activities necessary to prepare for commercial launch. These events or conditions, along with other matters as set forth in Note 2 (c), indicate that a material uncertainty exists that casts substantial doubt on the Company's ability to continue as a going concern.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Other Matter

The financial statements of Acasti Pharma Inc. 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.

KPMG LLP*

We have served as Company's auditor since 2009.

Montreal, Canada
June 26, 2019

*CPA auditor, CA, public accountancy permit No. A122596

ACASTI PHARMA INC.

Financial Statements

For the years ended March 31, 2019, 2018 and the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017

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ACASTI PHARMA INC.

Statements of Financial Position

As at March 31, 2019 and March 31, 2018

		March 31, 2019	March 31, 2018
(thousands of Canadian dollars)	Notes	$	$
Assets			
Current assets:			
Cash and cash equivalents	24	22,521	8,223
Marketable securities	5	11,865	—
Receivables	4	1,586	759
Other Assets	6	65	104
Deferred financing costs	14 (b)	179	—
Prepaid expenses		1,115	406
Total current assets		37,331	9,492
Marketable securities	5	27	26
Other Asset	6	557	555
Equipment	9	2,813	2,821
Intangible assets	10	7,743	10,065
Total assets		48,471	22,959
Liabilities and Equity			
Current liabilities:			
Trade and other payables	11	16,429	6,697
Unsecured convertible debentures	13	1,817	—
Total current liabilities		18,246	6,697
Derivative warrant liabilities	12, 14(d)(e)	16,263	6,426
Unsecured convertible debentures	13	—	1,612
Total liabilities		34,509	14,735
Equity:			
Share capital	14	129,318	73,338
Other equity	14	309	309
Contributed surplus		8,280	6,956
Deficit		(123,945)	(72,379)
Total equity		13,962	8,224
Commitments and contingencies	22		
Total liabilities and equity		48,471	22,959

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

ACASTI PHARMA INC.

Statements of Earnings and Comprehensive Loss

For the years ended March 31, 2019, 2018 and the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017

				Thirteen-months ended	Month ended	Twelve-months ended
		March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
(thousands of Canadian dollars, except per share data)	Notes	$	$	$	$	$
Research and development expenses, net of government assistance	8	(38,366)	(15,669)	(7,653)	(426)	(7,227)
General and administrative expenses		(6,649)	(4,027)	(3,557)	(292)	(3,265)
Loss from operating activities		(45,015)	(19,696)	(11,210)	(718)	(10,492)
Financial expenses	12, 14 (d)(e), 16	(6,551)	(1,808)	(166)	(51)	(115)
Net loss and comprehensive loss before income tax		(51,566)	(21,504)	(11,376)	(769)	(10,607)
Deferred income tax recovery		—	—	129	—	129
Net loss and total comprehensive loss		(51,566)	(21,504)	(11,247)	(769)	(10,478)
Basic and diluted loss per share	18	(0.95)	(1.23)	(1.01)	(0.05)	(0.97)
Weighted average number of shares outstanding		54,290,295	17,486,515	11,094,512	14,702,556	10,788,075

See accompanying notes to financial statements

ACASTI PHARMA INC.

Statements of Changes in Equity

For the years ended March 31, 2019, 2018 and the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017

		Share capital		Other	Contributed		
		Number	Dollar	equity	surplus	Deficit	Total
(thousands of Canadian dollars)	Notes		$	$	$	$	$
Balance, March 31, 2018		25,638,215	73,338	309	6,956	(72,379)	8,224
Net loss and total comprehensive loss for the period		-	-	-	-	(51,566)	(51,566)
		25,638,215	73,338	309	6,956	(123,945)	(43,342)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to equity holders							
Public offering	14(c)(d)	51,612,000	54,124	—	283	—	54,407
Warrants exercised		772,474	1,733	—	—	—	1,733
Share-based payment transactions	17	4,167	3	—	1,041	—	1,044
Issuance of shares for payment of interest on convertible debentures	14(g)	105,878	120	—	—	—	120
Total contributions by and distributions to equity holders		52,494,519	55,980	—	1,324	—	57,304
Balance at March 31, 2019		78,132,734	129,318	309	8,280	(123,945)	13,962

		Share capital		Other	Contributed		
		Number	Dollar	equity	surplus	Deficit	Total
(thousands of Canadian dollars)	Notes		$	$	$	$	$
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		—	—	—	—	(21,504)	(21,504)
		14,702,556	66,576	309	5,693	(72,379)	199
Transactions with owners, recorded directly in equity							
Contributions by and distributions to equity holders							
Public offering	14(e)	10,667,169	6,169	—	406	—	6,575
Warrants exercised		178,721	456	—	(72)	—	384
Share-based payment transactions	17	—	—	—	929	—	929
Issuance of shares for payment of interest on convertible debentures	14(g)	89,769	137	—		—	137
Total contributions by and distributions to equity holders		10,935,659	6,762	—	1,263	—	8,025
Balance at March 31, 2018		25,638,215	73,338	309	6,956	(72,379)	8,224

See accompanying notes to financial statements.

ACASTI PHARMA INC.

Statements of Changes in Equity, Continued

For the years ended March 31, 2019, 2018 and the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017

(thousands of Canadian dollars)	Notes	Share capital Number	Share capital Dollar $	Other equity $	Contributed surplus $	Deficit $	Total $
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
Transactions with owners, recorded directly in equity							
Contributions by and distributions to equity holders							
Public offering	14(f)	3,930,518	4,509	—	144	—	4,653
Issue of unsecured convertible debentures, net of deferred income tax expense of $129	13, 20	—	—	309	—	—	309
Equity settled non-employee share-based payment		60,000	94	—	—	—	94
Share-based payment transactions for the twelve-month period (unaudited)	17	—	—	—	588	—	588
Share-based payment transactions for the one-month period (unaudited)	17	—	—	—	86	—	86
Share-based payment transactions for the thirteen-month period	17	—	—	—	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.

ACASTI PHARMA INC.

Statements of Cash Flows

For the years ended March 31, 2019, 2018 and the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017

	Notes	March 31, 2019	March 31, 2018	Thirteen-months ended March 31, 2017	Month ended March 31, 2017 (Unaudited)	Twelve-months ended February 28, 2017 (Unaudited)
(thousands of Canadian dollars)		$	$	$	$	$
Cash flows used in operating activities:						
Net loss for the period		(51,566)	(21,504)	(11,247)	(769)	(10,478)
Adjustments:						
Amortization of intangible assets	10	2,322	2,323	2,517	194	2,323
Depreciation of equipment	9	505	349	221	32	189
Stock-based compensation	17	1,041	929	674	86	588
Net financial expenses	16	6,551	1,808	166	51	115
Realized foreign exchange gain (loss)		581	(7)	48	(12)	60
Deferred income tax recovery		—	—	(129)	—	(129)
Total adjustments		(40,566)	(16,102)	(7,750)	(418)	(7,332)
Changes in working capital items	19	8,090	3,583	792	(328)	1,120
Net cash used in operating activities		(32,476)	(12,519)	(6,958)	(746)	(6,212)
Cash flows from (used in) investing activities:						
Interest received		384	70	150	4	146
Acquisition of equipment	9, 19	(700)	(455)	(2,527)	(24)	(2,503)
Acquisition of short-term investments		—	—	(12,765)	—	(12,765)
Acquisition of marketable securities		(23,753)	(26)	—	—	—
Maturity of short-term investments		—	—	22,030	—	22,030
Maturity of marketable securities		11,933				
Net cash (used in) investing activities		(12,136)	(411)	6,888	(20)	6,908
Cash flows from (used in) financing activities:						
Net proceeds from public offering	14(c)(d)(e)(f)	57,892	11,065	5,010	(34)	5,044
Net proceeds from private placement	13, 14(f)	—	(40)	1,872	(10)	1,882
Proceeds from exercise of warrants		1,011	384	—	—	—
Share based payment		3	—	—	—	—
Interest paid		(44)	(3)	(18)	—	(18)
Net cash from (used in) financing activities		58,862	11,406	6,864	(44)	6,908
Foreign exchange (loss) gain on cash and cash equivalents held in foreign currencies		48	(25)	(49)	9	(58)
Net increase (decrease) in cash and cash equivalents		14,298	(1,549)	6,745	(801)	7,546
Cash and cash equivalents, beginning of period		8,223	9,772	3,027	10,573	3,027
Cash and cash equivalents, end of period		22,521	8,223	9,772	9,772	10,573
Cash and cash equivalents is comprised of:						
Cash		1,896	1,583	6,778	6,778	7,584
Cash equivalents		20,265	6,640	2,994	2,994	2,989

See accompanying notes to financial statements.

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.

The Corporation is subject to a number of risks associated with its ongoing priorities, including the conduct of its clinical program and its results, the establishment of strategic alliances and the development of new pharmaceutical products and their marketing. The Corporation's current product in development requires approval from the U.S Food and Drug Administration and equivalent regulatory organizations in other countries before their sale can be authorized. Certain risks have been reduced for the longer term with the outcome of the Corporation's actions, including its intellectual property strategy execution with filed patent applications in more than 20 jurisdictions, with more than 20 issued patents and with numerous additional patent applications pending.

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, units consisting of Common Shares and warrants 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 ability of the Corporation to complete the needed financing and 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, for comparative purposes 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 26, 2019.

(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 12)*.

(c) Going concern uncertainty:

The Corporation has incurred operating losses and negative cash flows from operations since inception. The Corporation's current assets of $37.3 million as at March 31, 2019 include cash and cash equivalents totaling $22.5 million, and marketable securities of $11.9 million mainly generated by the net proceeds from the recent Public Offerings. The Corporation's current liabilities total $18.2 million at March 31, 2019 and are comprised primarily of amounts due to or accrued for creditors. Management projects that additional funds will be needed in the future, after TRILOGY phase 3 clinical trials, for activities necessary to prepare for commercial launch, including the scale up of our manufacturing operations, the completion of the potential regulatory (NDA) submission package (assuming positive Phase 3 clinical results), and the expansion of business development and US commercial launch activities. The Corporation is working towards development of strategic partner relationships, as well as actively seeking additional non-dilutive funds in the future, but there can be no assurance as to when or whether Acasti will complete any strategic collaborations or succeed in identifying non-dilutive funding sources. Consequently, the Corporation may need to raise additional equity capital in the future to fund these activities. In particular, raising additional capital 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.

2. Basis of preparation (continued):

(c) Going concern uncertainty (continued):

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:

- 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:

- Measurement of derivative warrant liabilities (*note 12*) and stock-based compensation (*note 17*).

(f) Use of estimates and judgments (continued):

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, marketable securities 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.

Cash, cash equivalents, marketable securities and receivables with maturities of less than one year are classified at amortized cost as they meet both of the following conditions; they are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding. Cash and cash equivalents comprise cash balances and highly liquid investments purchased three months or less from maturity.

3. Significant accounting policies (continued):

(ii) Non-derivative financial liabilities:

The Corporation has the following non-derivative financial liabilities: trade and other payables. 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.

(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 as a component of finance expense (income).

(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.

3. Significant accounting policies (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.

(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 intangible asset less its residual value.

3. Significant accounting policies (continued):

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:

The Corporation assesses at each reporting date the expected credit loss for calculating impairment of financial assets and recognizes expected credit losses as loss allowances for assets measured at amortized cost.

(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").

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.

3. Significant accounting policies (continued):

(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.

(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 a component of finance expense (income).

(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 translated 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 translation are recognized in profit or loss.

3. Significant accounting policies (continued):

(j) Finance income and finance expense:

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, accretion on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets, transaction costs for issuance of derivative warrant liabilities and changes of fair value of derivative warrant liabilities. 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 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, enacted or substantively enacted, 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 $1,831 (March 31, 2018 - $2,077), is located in France.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

3. Significant accounting policies (continued):

(n) Change in accounting policy:

Adoption of new accounting standards

The accounting policies used in these annual financial statements are consistent with those applied by the Corporation in its March 31, 2018 annual financial statements except for the amendments to certain accounting standards which are relevant to the Corporation and were adopted by the Corporation as of April 1, 2018 as described below.

(i) Financial instruments:

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a revised approach for the classification of financial assets based on how an entity manages financial assets and the characteristics of the contractual cash flows of the financial assets replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities have been carried forward in IFRS 9. IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities and a new expected credit loss model for calculating impairment on financial assets replacing the incurred loss model in IAS 39. The Corporation adopted IFRS 9 as of April 1, 2018 and assessed the impact of the adoption on its financial statements, and determined there was no material impact. The Corporation does not apply hedge accounting.

(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 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 adopted the amendments to IFRS 2 as of April 1, 2018 and assessed the impact of the adoption of IFRS 2 on its financial statements, and determined that there was no material impact.

Future accounting change:

The following new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2019, and have not been applied in preparing these financial statements.

New standards and interpretations not yet adopted:

(i) Leases – IFRS 16

IFRS 16, Leases ("IFRS 16") In January 2016, the IASB issued IFRS 16, a new standard that replaces IAS 17, Leases. IFRS 16 is a major revision of the way in which companies account for leases and will no longer permit off balance sheet leases. Adoption of IFRS 16 is mandatory and will be effective for the Corporation's fiscal year beginning on April 1, 2019. The Corporation is assessing the impact of adoption of IFRS 16, and currently there is only one lease that will be impacted by this new standard and the impact is expected to be minimal.

4. Receivables:

	Notes	March 31, 2019 $	March 31, 2018 $
Sales tax receivables		618	470
Government assistance and tax credits receivable	8	872	282
Interest receivable		80	—
Other receivables		16	7
Total receivables		1,586	759

(thousands of Canadian dollars, except where noted and for share and per share amounts)

5. Marketable Securities

The corporation holds various marketable securities with maturities greater than 90 days at the time of purchase as follows:

	March 31, 2019 $	March 31, 2018 $
Term deposit issued in US currency [US $20], earning interest at 2.23% and maturing on March 13, 2019	—	26
Term deposits issued in US currency [US $2,020], earning interest at 2.50% and maturing on various dates from April 8, 2019 to March 12, 2020	2,696	—
Treasury bills issued in CAD currency earning interest at rates ranging from 1.83% to 1.90% and maturing on various dates from April 2, 2019 to July 25, 2019	9,196	—
Total Marketable securities	11,892	26
Current marketable securities	11,865	—
Marketable securities	27	26

6. Other Assets

During the year, the Corporation owned a reserve of krill oil in which amounts are expensed as it is being used. The following table summarizes information regarding activities of amounts of the krill oil usage in the R&D production processes and for NKPL66 manufacturing for the year (see note 7 (a)):

	March 31, 2019 $	March 31, 2018 $
Balance – beginning of year	659	—
Purchased	68	970
Used	(105)	(311)
Balance – end of year	622	659
Current other asset	65	104
Other asset	557	555

7. Related parties:

Neptune Technologies (Neptune) Acasti's former parent company, owned approximately 6.5% of the issued and outstanding Class A shares (Common Shares) of the Corporation as at March 31, 2019. Neptune's ownership reduced below a control position, following Acasti's U.S. public financing activities in December 2017 and January 2018.

(a) Administrative and research and development expenses:

The Corporation has significantly reduced its reliance on the support of Neptune for a portion of its general and administrative needs; however, it will continue to utilize their IT support for the near term. 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:

(thousands of Canadian dollars, except where noted and for share and per share amounts)

7. Related parties (continued):

	March 31, 2019 $	March 31, 2018 $	Thirteen-months ended March 31, 2017 $	Month ended March 31, 2017 (Unaudited) $	Twelve-months ended February 28, 2017 (Unaudited) $
Research and development expenses					
Supplies and incremental costs	—	7	—	—	—
Shared service agreement	—	20	60	1	59
Total	—	27	60	1	59
General and administrative expenses					
Supplies and incremental costs	211	239	293	16	277
Shared service agreement	34	121	325	25	300
Total	245	360	618	41	577
Total related parties expenses	245	387	678	42	636

Where Neptune incurs specific incremental costs for the benefit of the Corporation, it charges those amounts directly. Neptune provides Acasti with the services of personnel for certain administrative 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. Effective 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 incremental costs and expects to do so in the future, partially offset by reduced shared service fees. The account payable to Neptune amounted to $2 at March 31, 2019 and $44 at March 31, 2018, is non-interest bearing and has no specified maturity date. 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.

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 to be needed for its Phase 3 clinical study program. However, Neptune discontinued its krill oil production and sold its krill oil inventory to Aker on August 7, 2017. In 2017 Acasti purchased a reserve of krill oil from Aker that will be used in the production of CaPre capsules for its Phase 3 clinical trials (see also note 6). The Corporation is currently evaluating alternative suppliers of krill oil. At March 31, 2019, a reserve of krill oil owned by the Corporation was physically stored at Neptune's facility.

(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 of nil for the years ended March 31, 2019 and 2018, $89 for the thirteen-month period ended March 31, 2017, nil (unaudited) for the month ended March 31, 2017, and $89 (unaudited) for the twelve-month period ended February 28, 2017.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

7. Related parties (continued):

(c) Key management personnel compensation:

The key management personnel are the officers of the Corporation and the members of the Board of Directors of the Corporation. They control in the aggregate less than 1% of the voting shares of the Corporation (less than 1% in 2018 and 2% in 2017).

Key management personnel compensation includes the following for the years ended March 31, 2019 and 2018, the thirteen-month and one-month periods ended March 31, 2017 and the twelve-month period ended February 28, 2017.

			Thirteen-months ended	Month ended	Twelve-months ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
	$	$	$	$	$
Compensation	1,641	1,754	1,510	146	1,364
Share-based compensation costs	940	826	619	78	541
Total key management personnel compensation	2,581	2,580	2,129	224	1,905

8. Government assistance:

			Thirteen-months ended	Month ended	Twelve-months ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
	$	$	$	$	$
Investment tax credit	588	409	103	8	95
Government grant	7	—	227	37	190
Total government assistance	595	409	330	45	285

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	315
2038	324
2039	329
	3,167

(thousands of Canadian dollars, except where noted and for share and per share amounts)

9. Equipment:

	Furniture and office equipment	Computer equipment	Laboratory equipment	Production equipment	Total
	$	$	$	$	$
Cost:					
Balance at February 29, 2016	59	3	336	—	398
Additions for the twelve-month period (Unaudited)	—	8	186	2,484	2,678
Balance at February 28, 2017 (Unaudited)	59	11	522	2,484	3,076
Additions for the one-month period (Unaudited)	—	—	—	43	43
Additions for the thirteen-month period	—	8	186	2,527	2,721
Balance at March 31, 2017	59	11	522	2,527	3,119
Additions	4	6	192	181	383
Balance at March 31, 2018	63	17	714	2,708	3,502
Additions	5	13	219	260	497
Balance at March 31, 2019	68	30	933	2,968	3,999
Accumulated depreciation:					
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
Depreciation	—	3	107	239	349
Balance at March 31, 2018	59	7	303	312	681
Depreciation	1	7	180	317	505
Balance at March 31, 2019	60	14	483	629	1,186
Net carrying amounts:					
March 31, 2018	4	10	411	2,396	2,821
March 31, 2019	8	16	450	2,339	2,813

Depreciation expense for the periods end March 31, 2019 and 2018, the thirteen-month and one-month periods ended March 31, 2017 and twelve-month period ended February 28, 2017 has been recorded in “research and development expenses” in the statements of earnings and comprehensive loss.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

10. Intangible assets :

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. The license allows the Corporation to exploit the intellectual property rights in order to develop novel active pharmaceutical ingredients (“APIs”) into commercial products for the prescription drugs market. The license Agreement, together with the Corporation own IP, allows the “freedom to operate” for CaPre, which is currently the Corporation’s only prescription drug candidate in development. The Corporation believes that upon the expiry of the last licensed Neptune patent in 2022, the Corporation’s expanding patent portfolio will cover CaPre, and that it will not require any license from Neptune to support the commercialization of CaPre.

	Patents	License	Total
	$	$	$
Cost:			
Balance at February 29, 2016, February 28, 2017 (Unaudited) and March 31, 2017	362	24,330	24,692
Additions	—	—	—
Balance at March 31, 2018	362	24,330	24,692
Additions	—	—	—
Balance at March 31, 2019	362	24,330	24,692
Accumulated amortization:			
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
Amortization for the year	—	2,323	2,323
Balance at March 31, 2018	362	14,265	14,627
Amortization for the year	—	2,322	2,322
Balance at March 31, 2019	362	16,587	16,949
Net carrying amounts:			
March 31, 2018	—	10,065	10,065
March 31, 2019	—	7,743	7,743

Amortization expense and impairment loss for the period ended March 31, 2019 and 2018, the thirteen-month and one-month periods ended March 31, 2017, and the twelve-month period ended February 28, 2017 have been recorded in “research and development expenses” in the statements of earnings and comprehensive loss.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

11. Trade and other payables:

	March 31, 2019 $	March 31, 2018 $
Trade payables	4,064	3,420
Accrued liabilities and other payables	10,319	2,479
Employee salaries and benefits payable	1,054	754
Legal settlement expected to be paid via common shares (note 25)	990	—
Payable to Neptune	2	44
Total trade and other payables	16,429	6,697

The Corporation's exposure to currency and liquidity risks related to trade and other payables is presented in Note 21.

12. Derivative warrant liabilities:

The warrants issued as part of the public offering of units composed of Common Share and Common Share purchase warrants on both May 9, 2018 and May 14, 2018 (*see note 14*) are derivative liabilities ("Derivative Warrant Liabilities") given the warrant indenture contains certain contingent provisions that allow for cash settlement.

Warrants issued as part of a public offering of units composed of class A share (Common Share) and Common Share purchase warrants on both December 27, 2017 and December 3, 2013 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 each reporting period and the reconciliation of changes in fair value is presented in the following tables:

	Warrant liabilities issued May 2018		Warrant liabilities issued December 27, 2017		Warrant liabilities issued December 3, 2013[1]	
	March 31, 2019 $	March 31, 2018 $	March 31, 2019 $	March 31, 2018 $	March 31, 2019 $	March 31, 2018 $
Balance – beginning of period	—	—	6,405	—	21	209
Issued during period	4,272	—	—	5,873	—	—
Exercised during period	(722)	—	—	—	—	—
Change in fair value of derivative warrant liabilities	4,696	—	1,612	532	(21)	(188)
Balance – end of period	8,246	—	8,017	6,405	—	21
Fair value per share issuable	0.81	—	0.82	0.65	—	0.01

(1) In order to obtain one Common Share, 10 warrants must be exercised. All unexercised warrants expired on December 3, 2018.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

12. Derivative warrant liabilities (continued):

The fair value of the derivative warrant liabilities was estimated using the Black-Scholes option pricing model and based on the following assumptions:

	Warrant liabilities issued May 2018		Warrant liabilities issued December 27, 2017		Warrant liabilities issued December 3, 2013 [1]	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Exercise price	$1.31	—	US $1.26	US $1.26	—	US $1.50
Share price	$1.35	—	US $1.02	US $1.02	—	US $1.02
Risk-free interest	1.52%	—	2.23%	2.56%	—	2.19%
Estimated life	4.11 years	—	3.75 years	4.75 years	—	0.68 years
Expected volatility	94.58%	—	107.57%	95.15%	—	133.86%

(1) In order to obtain one Common Share, 10 warrants must be exercised. All unexercised warrants expired on December 3, 2018.

13. Unsecured convertible debentures

Concurrent with the Public Offering described in note 14, on February 21, 2017, the Corporation 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 any time 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.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

13. 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
	$	$	$
Balance at March 31, 2017	1,406	309	1,715
Effective interest for the twelve-month period	366	—	366
Interest payable during the period	(160)	—	(160)
Balance at March 31, 2018	1,612	309	1,921
Effective interest during the period	365	—	365
Interest payable during the period	(160)	—	(160)
Balance at March 31, 2019	1,817	309	2,126

14. 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. There are non issued and outstanding.
- 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. There are non issued and outstanding.
- 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. There are non issued and outstanding.

(1) None issued and outstanding

(b) "At-the-market" ("ATM") sales agreement

On February 14, 2019, the Corporation entered into an "at-the-market" ("ATM") sales agreement with an underwriter B. Riley FBR, Inc. (B. Riley), pursuant to which the Corporation's common shares may be sold from time to time for aggregate gross proceeds of up to US $30 million, with sales only being made on the NASDAQ Stock Market. The common shares would be issued at market prices prevailing at the time of the sale and, as a result, prices may vary between purchasers and during the period of distribution. The ATM provides the Company with a flexible alternative for raising additional capital. The ATM has a 3 year term, and requires the company to pay a 3% fee to B. Riley when any sales are made. As at March 31, 2019, no securities have been issued in relation to the ATM. Costs incurred in connection to the ATM of $179 have been recorded as deferred financing costs.

(c) Public Offerings – October 2018:

On October 9, 2018, the Corporation closed a U.S. public offering of 16,600,000 Common Shares at a price of US$1.00 per share. In addition, the underwriters fully exercised their over-allotment option to purchase 2,490,000 additional Common Shares at the same public offering price. This offering generated gross proceeds of $24.7 million (US$19.1 million), which resulted in net proceeds to the Corporation of $22.6 million (US$17.4 million) and a total of 19,090,000 Common Shares issued.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

14. Capital and other components of equity (continued):

On October 23, 2018, the Corporation closed a Canadian public offering of 18,750,000 Common Shares at a price of $1.28 per share. In addition, the underwriters fully exercised their over-allotment option to purchase 2,812,500 additional Common Shares at the same public offering price. This offering generated gross proceeds of $27.6 million, which resulted in net proceeds to the Corporation of approximately $25.4 million and a total of 21,562,500 Common Shares issued.

(d) Public Offering – May 2018:

On May 9, 2018 the Corporation closed a Canadian public offering issuing 9,530,000 units of Acasti ("Units") at a price of $1.05 per Unit for gross proceeds of $10 million. The units issued consist of 9,530,000 Common Shares and 9,530,000 Warrants. Each Warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price of $1.31 at any time until May 9, 2023.

On May 14, 2018, the underwriters exercised their over-allotment option by purchasing an additional 1,429,500 units at a price of $1.05 per Unit, for additional gross proceeds of $1.5 million. The units issued consist of 1,429,500 Common Shares and 1,429,500 warrants. Each Warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price of $1.31 at any time until May 9, 2023.

The warrant component of these Units are Derivative Warrant Liabilities for accounting purposes due to the warrant agreement, which contains certain contingent provisions that allow for cash settlement (note 12). The proceeds of the offering are required to be split between the Derivative Warrant Liabilities and the equity-classified Common shares at the time of issuance of the Units. The fair value of the Derivative Warrant Liabilities at the time of issuance was determined to be $4.3 million and the residual of the proceeds of $6.2 million were allocated to the Common Shares. Issuance costs related to this transaction totaled approximately $1.8 million and have been allocated between the Derivative Warrant Liabilities and Common shares based on relative value. Resulting from this allocation, $0.7 million has been allocated to the Derivative Warrant Liability and is recognized in finance costs in the Statements of Earnings and Comprehensive Loss, whereas the remaining portion of $1.1 million in issuance costs was allocated to the Common Shares and recognized as a reduction to share capital, in the Statements of Financial Position.

The fair value of the public offering warrants at issuance was estimated using to the Black-Scholes option pricing model and was based on the following weighted average assumptions:

	May 2018
Exercise price	$1.31
Share price	$0.82
Risk-free interest	2.21%
Estimated life	5 years
Expected volatility	87.40%

The weighted average fair value of the public offering warrants issued in May 2018 was determined to be $0.39 per warrant. Changes in the subsequent measurement of fair value of the Warrants are recognized in financial expenses.

As part of the transaction, the Corporation also issued broker warrants to purchase up to 547,975 Common Shares. Each broker warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price of $1.05, at any time until May 9, 2023. The broker warrants are considered to be compensation to non-employees under IFRS 2, as stock-based compensation, and are thus accounted for at fair value at issuance date and not subsequently revalued. To determine the fair value of these broker warrants, a Black-Scholes options pricing model was used based on the following assumptions:

	May 2018
Exercise price	$1.05
Share price	$0.81
Risk-free interest	2.20%
Estimated life	5 years
Expected volatility	87.40%

The total value associated with the broker warrants amounted to $283 and was recorded in contributed surplus.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

14. Capital and Other Components of Equity (continued):

(e) Public offering – December 27, 2017

On December 27, 2017, the Corporation closed a U.S. public offering issuing 9,900,990 units of Acasti at a price of US$1.01 per Unit for gross proceeds of $12.6 million (US$10 million). The units issued consist of 9,900,990 Common Shares and 8,910,891 warrants with the right to purchase one Common Share of Acasti. As part of this closing, the underwriters' also partially exercised for nil consideration the over-allotment option for warrants, which were issued for a right to purchase 892,044 Common Shares at an exercise price of US$1.26.

The Warrants forming part of the Units are Derivative Warrant Liabilities for accounting purposes due to the currency of the exercise price being different from the Corporation's functional currency. The proceeds of the offering are required to be split between the Derivative Warrant Liabilities and the equity-classified Common Share at the time of issuance of the Units. The fair value of the Derivative Warrant Liabilities at the time of issuance was determined to be $5.9 million and the residual of the proceeds was allocated to the Common Shares. Total issuance costs related to this transaction totaled approximately $2.5 million. The issuance costs have been allocated between the Warrants and Common Shares based on relative value. The portion allocated to the Warrants was recognized in finance costs in the Statements of Earnings and Comprehensive Loss, whereas the portion allocated to Common Shares was recognized as a reduction to share capital, in the Statements of Financial Position.

The fair value of the public offering Warrants at issuance was estimated according to the Black-Scholes option pricing model and based on the following assumptions:

	December 27, 2017
Exercise price	US $1.26
Share price	US $0.97
Risk-free interest	2.22%
Estimated life	5 years
Expected volatility	93.52%

The fair value of the public offering Warrants issued was determined to be $0.60 per warrant as at December 27, 2017. Changes in the fair value of the Warrants are recognized in finance income or expenses.

As part of the transaction, the Corporation also issued broker warrants to purchase up to 495,050 Common Shares. Each broker warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price of US$1.2625, at any time until December 27, 2022. The broker warrants are considered for compensation to non-employees under IFRS 2, stock-based compensation, and are accounted for at fair value. To determine the fair value of the Broker Warrants, a Black-Scholes option pricing model was used based on the following assumptions:

	December 27, 2017
Exercise price	US $1.2625
Share price	US $0.97
Risk-free interest	2.22%
Estimated life	5 years
Expected volatility	93.52%

The total cost associated with the Broker Warrants amounted to $406 and was recorded in contributed surplus.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

14. Capital and Other Components of Equity (continued):

(f) Public offering - February 21, 2017:

Concurrent with the private placement described in Note 12, 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. The proceeds and transaction costs were allocated to share capital.

As part of the transaction, the Corporation 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 previous 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 a Black-Scholes option pricing model and based on the following assumptions:

	February 21, 2017
Exercise price	$2.15
Share price	$1.70
Dividend	—
Risk-free interest	0.79%
Estimated life	1.00 year
Expected volatility	112.09%

The total cost associated with the Broker Warrants amounted to $144 and was recorded as contributed surplus.

(g) 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
September 30, 2017	December 27, 2017	22,783	40
December 31, 2017	March 27, 2018	33,605	40
March 31, 2018	June 6, 2018	30,348	40
June 30, 2018	August 21, 2018	51,807	40
September 30, 2018	October 31, 2018	23,723	40
		195,647	257

(thousands of Canadian dollars, except where noted and for share and per share amounts)

14. Capital and other components of equity (continued):

(h) Warrants:

The warrants of the Corporation are composed of the following as at March 31, 2019, March 31, 2018, March 31, 2017 and February 28, 2017:

	March 31, 2019		March 31, 2018		March 31, 2017		February 28, 2017 (Unaudited)	
	Number outstanding	Amount	Number outstanding	Amount	Number outstanding	Amount	Number outstanding	Amount
		$		$		$		$
Liability								
May 2018 Public offering Warrants 2018 (i)	10,188,100	8,246	—	—	—	—	—	—
Series December 2017 US Public offering Warrants 2017 (ii)	9,801,861	8,017	9,802,935	6,405	—	—	—	—
Series 8 Public offering Warrants December 2013 (iii)	—	—	18,400,000	21	18,400,000	209	18,400,000	187
	19,989,961	16,263	28,202,935	6,426	18,400,000	209	18,400,000	187
Equity								
Public offering warrants								
Public offering broker warrants May 2018 (iv)	547,975	283	—	—	—	—	—	—
Public offering U.S. broker warrants December 2017 (v)	495,050	406	495,050	406	—	—	—	—
Public offering warrants February 2017 (vi)	1,904,034	—	1,904,034	—	1,965,259	—	1,965,259	—
Private Placement- contingent warrants								
2017 unsecured convertible debenture conversion option and contingent warrants (vii)	1,052,630	309	1,052,630	309	1,052,630	309	1,052,630	309
Series 9 Private Placement warrants 2013 (viii)	—	—	161,654	—	161,654	—	161,654	—
Series 2017 BW Broker warrants (ix)	—	—	—	—	234,992	144	234,992	144
	3,999,689	998	3,613,368	715	3,414,535	453	3,414,535	453

(i) Warrant to acquire one Common Share of the Corporation at an exercise price of $1.31, expiring on May 9, 2023.
(ii) Warrant to acquire one Common Share of the Corporation at an exercise price of US$1.26, expiring on December 27, 2022.
(iii) In order to obtain one Common Share of the Corporation at an exercise price of US$15.00, 10 warrants must be exercised. Warrants expired on December 3, 2018.
(iv) Warrant to acquire one Common Share of the Corporation at an exercise price of $1.05, expiring on May 9, 2023.
(v) Warrant to acquire one Common Share of the Corporation at an exercise price of US$1.2625, expiring on December 27, 2022.
(vi) Warrant to acquire one Common Share of the Corporation at an exercise price of $2.15, expiring on February 21, 2022.
(vii) 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. Exercisable only for any portion of or all debentures paid by the Corporation prior to maturity.
(viii) Warrant to acquire one Common Share of the Corporation at an exercise price of $13.30, expired on December 3, 2018.
(ix) Warrant to acquire one Common Share of the Corporation at an exercise price of 2.15 expiring on February 21, 2018. 117,496 warrants amounted to $71 were exercised in November 2017 and 117,496 warrants expired on February 21, 2018

(thousands of Canadian dollars, except where noted and for share and per share amounts)

14. Capital and other components of equity (continued):

(h) Warrants (continued):

Warrants exercise:

During the year 771,400 warrants offered as part of the May 2018 public offering were exercised at an exercise price of $1.31 per Common Share of the Company, resulting in $1.0 million of cash proceeds. In addition, 4,455 warrants offered as part of the December 2017 U.S. public offering were exercised in a cashless manner to acquire 1,074 Common Shares of the Company. A total of 772,474 Common Shares were issued as a result of 775,855 warrants being exercised. During the year ended December 31, 2017, 178,721 warrants offered as part of the February 2017 public offering were exercised at an exercise price of $2.15 per Common Share of the Company, resulting in $384 of cash proceeds.

15. Personnel expenses:

			Thirteen-months ended	Month ended	Twelve-month period ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
	$	$	$	$	$
Salaries and other short-term employee benefits	4,144	3,281	2,491	214	2,277
Share-based compensation costs	1,041	929	674	86	588
Total personnel expenses	5,185	4,210	3,165	300	2,865

16. Financial expenses:

			Thirteen-months ended	Month ended	Twelve-month period ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
	$	$	$	$	$
Interest income	475	72	125	6	119
Foreign exchange gain (loss)	279	(32)	(180)	(3)	(177)
Interest payable on convertible debenture	(160)	(160)	(17)	(14)	(3)
Accretion of interest on convertible debenture	(205)	(206)	(22)	(17)	(5)
Transaction costs related to derivative warrant liabilities	(653)	(1,134)	—	—	—
Change in fair value of warrant liabilities	(6,287)	(344)	(53)	(22)	(31)
Other charges	—	(4)	(19)	(1)	(18)
Financial expenses	(6,551)	(1,808)	(166)	(51)	(115)

(thousands of Canadian dollars, except where noted and for share and per share amounts)

17. Share-based payments:

At March 31, 2019, 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 ("Stock Option Plan"). An amendment of the Plan was approved by shareholders on August 28, 2018. The amendment provides for an increase to the existing limits for Common Shares reserved for issuance under the Stock Option Plan as well as certain changes to the minimum vesting period applicable to options granted to directors and employees under the Stock Option Plan. The plan continues to provide for the granting of options to purchase Common Shares. The exercise price of the stock options granted under this amended 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. The maximum number of Common Shares that may be issued upon exercise of options granted under the amended Stock Option Plan was increased from 2,940,511, representing 20% of the issued and outstanding Common Shares of the Company as of March 31, 2017, to 5,494,209 representing 15% of the issued and outstanding Common Shares of the Company as of June 27, 2018. 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 (i) all options granted to a director will be vested evenly on a quarterly basis over a period of at least eighteen (18) months, and (ii) all options granted to an employee will be vested evenly on a quarterly basis over a period of at least thirty-six (36) months.

The total number of shares issued to any one consultant within any twelve-month period cannot exceed 2% of the Corporation's total issued and outstanding shares (on a non-diluted basis). The Corporation is not authorized to grant within any twelve-month period such number of options under the stock option plan that could result in a number of Common Shares issuable pursuant to options granted to (a) related persons exceeding 2% of the Corporation's issued and outstanding 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 2% of the Corporation's issued and outstanding 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:

	March 31, 2019		March 31, 2018	
	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options
Outstanding at beginning of year	1.81	2,284,388	2.58	1,424,788
Granted	0.77	2,173,523	1.75	1,121,500
Exercised	0.77	(4,167)	—	—
Forfeited	1.84	(407,067)	1.89	(199,800)
Expired	—	—	18.06	(62,100)
Outstanding at end of year	1.25	4,046,677	1.81	2,284,388
Exercisable at end of year	1.56	1,613,200	1.92	591,113

	Thirteen-month period ended March 31, 2017		Month ended March 31, 2017		Twelve-month period ended February 28, 2017	
	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options
Outstanding at beginning of period	13.52	454,151	2.59	1,427,288	13.52	454,151
Granted	1.69	1,300,400	—	—	1.69	1,300,400
Forfeited	13.27	(190,138)	11.50	(2,500)	13.29	(187,638)
Expired	15.38	(139,625)	—	—	15.38	(139,625)
Outstanding at end of period	2.58	1,424,788	2.58	1,424,788	2.59	1,427,288
Exercisable at end of period	6.44	238,482	6.44	238,482	6.49	240,982

(thousands of Canadian dollars, except where noted and for share and per share amounts)

17. Share-based payments (continued):

(a) Corporation stock option plan (continued):

	March 31, 2019	March 31, 2018	Thirteen-month period ended March 31, 2017	Twelve-month Period ended February 28, 2017 (Unaudited)
Weighted average fair value of the options granted to employees and directors of the Corporation	$0.51	$1.22	$1.40	$1.40

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. 4,167 options were exercised during the period ended March 31, 2019 (nil for period ended March 31, 2018 and nil for the thirteen-month period ended March 31, 2017). Stock-based compensation recognized under this plan for the period ended March 31, 2019 was $1,041 (March 31, 2018 amounted to $929, 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).

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:

	March 31, 2019	March 31, 2018	Thirteen-month period ended March 31, 2017	Twelve-month Period ended February 28, 2017 (Unaudited)
Exercise price	$0.77	$1.75	$1.69	$1.69
Share price	$0.73	$1.75	$1.69	$1.69
Dividend	—	—	—	—
Risk-free interest	2.10%	1.21%	0.87%	0.87%
Estimated life	5.78 years	5.89 years	4.94 years	4.94 years
Expected volatility	85.35	82.4%	123.5%	123.5%

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.

The following tables summarize the status of the outstanding and exercisable options of the Corporation:

	March 31, 2019			
	Options outstanding		Exercisable options	
Exercise price	Weighted remaining contractual life outstanding	Number of options outstanding	Weighted average exercise price $	Number of options exercisable
$0.77-$0.77	9.26	1,898,523	$0.77	348,197
$0.78-$1.58	5.86	775,000	$1.50	518,750
$1.59-$1.71	7.90	273,333	$1.65	233,333
$1.72-$1.88	8.21	790,833	$1.77	292,500
$1.89-$6.50	3.97	308,988	$2.57	220,420
	7.91	4,046,677	$1.56	1,613,200

(thousands of Canadian dollars, except where noted and for share and per share amounts)

17. Share-based payments (continued):

(a) Corporation stock option plan (continued):

Share-based payment transactions and broker warrants:

The fair value of share-based payment transaction is measured using the Black-Scholes option pricing 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), 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, 2019 and March 31, 2018, and no stock-based compensation was recognized for the period ended March 31, 2019 and March 31, 2018 (nil for the one-month and thirteen-month periods ended March 31, 2017).

18. 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.

19. Supplemental cash flow disclosure:

(a) Changes in working capital items:

			Thirteen-months ended	Month ended	Twelve-months ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
		$	$	$	$
Receivables	(738)	(553)	193	(40)	233
Prepaid expenses	(709)	(103)	247	(33)	280
Other Assets	37	(659)	—	—	—
Deferred financing costs	(179)	—	—	—	—
Trade and other payables	9,679	4,898	352	(255)	607
Total changes in working capital items	8,090	3,583	792	(328)	1,120

(thousands of Canadian dollars, except where noted and for share and per share amounts)

19. Supplemental cash flow disclosure (continued):

(b) Non-cash transactions:

			Thirteen-months ended	Month ended	Twelve-months ended
	March 31, 2019 $	March 31, 2018 $	March 31, 2017 $	March 31, 2017 (Unaudited) $	February 28, 2017 (Unaudited) $
Issuance of shares for interest on convertible debt	120	137	94	—	94
Issuance of broker warrants included in net proceeds from public offering	283	406	144	—	144
Public offering transaction costs included in trade and other payables	—	132	381	381	416
Interest receivable included in receivables	96	7	—	—	—
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	12	216	288	288	269
Interest payable included in trade and other payables	40	40	18	18	4

(thousands of Canadian dollars, except where noted and for share and per share amounts)

20. Income taxes:

Deferred tax (recovery) expense:

			Thirteen-months ended	Month ended	Twelve-months ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
	$	$	$	$	$
Origination and reversal of temporary differences	11,599	5,241	2,240	163	2,077
Change in unrecognized deductible temporary differences	(11,599)	(5,241)	(2,369)	(163)	(2,206)
Deferred tax (recovery) expense	—	—	(129)	—	(129)

Reconciliation of effective tax rate:

			Thirteen-months ended	Month ended	Twelve-months ended
	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2017 (Unaudited)	February 28, 2017 (Unaudited)
	$	$	$	$	$
Loss before income taxes	(51,566)	(21,504)	(11,376)	(769)	(10,607)
Basic combined Canadian statutory income tax rate [1]	26.68%	26.78%	26.87%	26.80%	26.88%
Computed income tax recovery	(13,758)	(5,759)	(3,057)	(206)	(2,851)
Increase resulting from:					
Change in unrecognized deductible temporary differences	11,599	5,241	2,369	162	2,207
Non-deductible stock-based compensation	279	248	178	23	155
Non-deductible change in fair value	1,677	92	14	6	8
Permanent differences and other	203	178	166	12	154
Change in statutory income tax rate	-	-	201	3	198
Total tax (recovery) expense	—	—	(129)	—	(129)

[1] The Canadian combined statutory income tax rate has decreased due to a reduction in the provincial statutory income tax rate.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

20. Income taxes (continued):

Unrecognized deferred tax assets:

At March 31, 2019, 2018, and 2017, 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, 2019 $	March 31, 2018 $	March 31, 2017 $
Deferred tax assets			
Tax losses carried forward	23,695	12,670	8,293
Research and development expenses	5,362	4,927	4,220
Property, plan and equipment and intangible assets	766	567	435
Financing expenses	1,852	116	-
Other deductible temporary differences	378	768	522
Deferred tax assets	32,053	19,048	13,470
Deferred tax liabilities			
Tax basis of unsecured convertible debentures in excess of carrying value	13	67	122
Deferred tax liabilities	13	67	122
Net deferred tax assets	32,040	18,981	13,348

On initial recognition of the unsecured convertible debenture equity component on February 21, 2017, 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, 2019, 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, 2019	
	Federal	Provincial
	$	$
Tax losses carried forward		
2029	714	714
2030	1,627	1,620
2031	2,071	2,063
2032	2,262	2,241
2033	1,854	1,825
2034	3,598	3,598
2035	4,595	4,459
2036	5,494	5,494
2037	8,584	8,456
2038	17,340	17,270
2039	41,447	41,447
	89,586	89,187
Research and development expenses, without time limitation	**19,617**	**21,036**
Other deductible temporary differences, without time limitation	30,875	32,294

(thousands of Canadian dollars, except where noted and for share and per share amounts)

21. 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 marketable securities, 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. 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, 2019		March 31, 2018	
Denominated in	US $	Euro	US $	Euro
Cash and cash equivalents	3,369	—	7,024	—
Marketable securities	2,696	—	26	—
Receivables	16	—	6	—
Trade and other payables	(13,251)	(131)	(3,924)	(627)
	(7,170)	(131)	3,132	(627)

The following exchange rates are those applicable to the following periods and dates:

	March 31, 2019		March 31, 2018	
	Average	Reporting	Average	Reporting
CA$ per US$	1.3122	1.3349	1.2834	1.2900
CA$ per Euro	1.5192	1.4975	1.5008	1.5898

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 an increase (decrease) in net loss as follows, assuming that all other variables remain constant:

	March 31, 2019 $	March 31, 2018 $
Increase (decrease) in net loss	364	(88)

An assumed 5% weakening of the foreign currencies would have an equal but opposite effect on the basis that all other variables remained constant.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

21. Financial instruments (continued):

(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, 2019 and March 31, 2018 is as follows:

Cash and cash equivalents	Short-term fixed interest rate
Marketable Securities	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 24. 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).

The following are the contractual maturities of financial liabilities as at March 31, 2019 and March 31, 2018:

					March 31, 2019
Required payments per year	Notes	Total $	Carrying amount $	Less than 1 year $	1 to 3 years $
Trade and other payables	11	16,429	16,429	16,429	—
Unsecured convertible debentures	13	2,143	1,817	2,143	—
		18,572	18,246	18,572	—

					March 31, 2018
Required payments per year	Notes	Total $	Carrying amount $	Less than 1 year $	1 to 3 years $
Trade and other payables	11	6,697	6,697	6,697	—
Unsecured convertible debentures	13	2,303	1,612	160	2,143
		9,000	8,309	6,857	2,143

The Derivative warrant liabilities are excluded from the above tables as they expected to be settled in shares and not by the use of liquidities.

22. Commitments and contingencies:

Research and development contracts and contract research organizations agreements:

The Corporation utilizes contract manufacturing organizations related to the development and production of clinical material and clinical research organizations to perform services related to the Company's clinical trials. Pursuant to these agreements with manufacturing and contract research organizations, the Corporation has the right to terminate the agreements either without penalties or under certain penalty conditions. For agreements which contain penalty conditions, the Company would be required to pay penalties of approximately $109.

During Fiscal 2018, the Corporation entered into a lease agreement, for its research and development and quality control laboratory facility located in Sherbrooke, Québec, resulting in a commitment of $79 over the remaining lease term, which is committed in the next year.

Contingencies:

The Corporation evaluates contingencies on an ongoing basis and establishes loss provisions for matters in which losses are probable and the amount of the loss can be reasonably estimated. Refer to Note 25, Subsequent Events.

(thousands of Canadian dollars, except where noted and for share and per share amounts)

23. 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 (cash and cash equivalents, marketable securities and trade and other payables) 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 March 31, 2019 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 level 3 inputs *(Note 12).*

As at March 31, 2019, 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 $569 or a gain of $598, respectively.

As at March 31, 2019, the effect of a 5% strengthening of the US dollar, would result in a loss of $405. An assumed 5% weakening of the foreign currency would have an equal but opposite effect on the basis that all other variables remained constant.

24. 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 13*).

Since the beginning of its operations, the Corporation has primarily financed its liquidity needs from funding provided through public offerings, private placements, from the exercise of warrants that were distributed to its related party's shareholders, from a rights offering and from the issuance of options to employees. 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 of the Corporation:

	March 31, 2019 $	March 31, 2018 $
Cash	1,896	1,583
Cash equivalents		
Term deposits issued in CAD currency	12,100	—
Term deposits issued in US currency [US - $3,250]	—	4,193
Commercial papers issued in CAD currency	5,693	—
Commercial papers issued in US currency [US - $1,099]	—	1,418
Promissory notes issued in CAD currency	498	—
Promissory notes issued in US currency [US - $798]	—	1,029
Bankers acceptance	2,334	
Total Cash equivalents	20,625	6,640
Total Cash and cash equivalents	**22,521**	**8,223**

24. Capital management (continued):

As at March 31, 2019, the term deposits, commercial paper, promissory note and bankers acceptance have maturity dates of ranging between April 1, 2019 and June 25, 2019, bearing interest rates ranging from 1.76% and 2.40% per annum, cashable at any time at the discretion of the Corporation, under certain conditions.

As at March 31, 2018, the term deposits, commercial paper and promissory note have maturity dates of ranging between April 2, 2018 and May 11, 2018, bearing interest rates ranging from 1.26% and 1.72% per annum, cashable at any time at the discretion of the Corporation, under certain conditions.

25. Subsequent events

On April 15, 2019 the Corporation announced the annual grant of stock options to its employees, executives and directors of its stock option plan (the “Stock Option Plan”). The stock options were granted by the Board of Directors as part of the Corporation’s annual performance review in accordance with the Corporation’s Long-Term Incentive Program (LTIP). An aggregate of 644,117 stock options were granted to certain employees, executives and directors of the Corporation under the Corporation’s Stock Option Plan. Subject to the terms and conditions of the Stock Option Plan, options granted to directors will vest in equal quarterly installments over a period of 18 months and options granted to executives and employees will vest in equal quarterly installments over a period of 36 months. Each option will entitle the holder to purchase one common share of the Corporation at a price of CDN$1.28, until April 15, 2029.

On May 10, 2019 the Corporation announced the settlement regarding legal claims made by its former chief executive (“CEO”) officer with respect to the termination of his employment. Pursuant to the settlement agreement, the Corporation has agreed to issue 900,000 common shares at $1.10 per share to the former CEO. In addition, the Corporation has agreed to reimburse the former CEO for legal fees of $64. Furthermore, pursuant to the settlement agreement, the Corporation receives a full and final release from the former CEO on all procedures in connection with the termination of his employment. This settlement has been accrued as at March 31, 2019 and the expense of $1,054 is included as part of General and administrative expenses.