Interim Financial Statements of
(Unaudited)

ACASTI PHARMA INC.

Three-month and nine-month periods ended November 30, 2016 and 2015

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Financial Statements

ACASTI PHARMA INC.

Interim Statements of Financial Position
(Unaudited)

As at November 30, 2016 and February 29, 2016

	November 30, 2016	February 29, 2016
Assets		
Current assets:		
Cash	$ 1,814,083	$ 3,026,943
Short-term investments	4,028,993	7,443,115
Trade and other receivables	147,318	337,603
Tax credits receivable	–	61,210
Prepaid expenses	190,138	456,539
	6,180,532	11,325,410
Restricted short-term investment (note 10 (b))	–	2,000,000
Equipment (note 9)	2,245,560	287,136
Intangible asset	13,162,655	14,904,776
Total assets	$ 21,588,747	$ 28,517,322
Liabilities and Equity		
Current liabilities:		
Trade and other payables	$ 1,745,053	$ 1,125,977
Payable to parent corporation (note 10 (c))	14,138	14,936
	1,759,191	1,140,913
Derivative warrant liabilities (notes 4 and 11)	60,012	156,377
Total liabilities	1,819,203	1,297,290
Equity :		
Share capital (note 4)	61,972,841	61,972,841
Contributed surplus	5,304,583	4,874,727
Deficit	(47,507,880)	(39,627,536)
Total equity	19,769,544	27,220,032
Commitments and contingency (note 9)		
Total liabilities and equity	$ 21,588,747	$ 28,517,322

See accompanying notes to unaudited interim financial statements.

ACASTI PHARMA INC.

Interim Statements of Earnings and Comprehensive Loss
(Unaudited)

Three-month and nine-month periods ended November 30, 2016 and 2015

	Three-month periods ended November 30,		Nine-month periods ended November 30,	
	2016	2015	2016	2015
Revenue from sales	$ 1,258	$ 5,074	$ 7,797	$ 17,227
Cost of sales	–	(2,391)	–	(7,380)
Gross profit	1,258	2,683	7,797	9,847
Research and development expenses, net of tax credits of $23,418 and $70,253 (2015 - $14,367 and $43,279)	(1,684,457)	(2,155,065)	(5,677,465)	(5,797,356)
General and administrative expenses	(829,092)	(480,997)	(2,251,484)	(1,615,001)
Loss from operating activities	(2,512,291)	(2,633,379)	(7,921,152)	(7,402,510)
Finance income (note 5)	118,637	88,458	115,322	921,148
Finance costs (note 5)	(1,245)	(1,108)	(170,879)	(3,099)
Change in fair value of warrant liabilities (note 11)	(1,941)	354,737	96,365	2,086,818
Net finance income	115,451	442,087	40,808	3,004,867
Net loss and total comprehensive loss for the period	$ (2,396,840)	$ (2,191,292)	$ (7,880,344)	$ (4,397,643)
Basic and diluted loss per share	$ (0.22)	$ (0.21)	$ (0.74)	$ (0.41)
Weighted average number of shares outstanding	10,712,038	10,661,663	10,712,038	10,654,939

See accompanying notes to unaudited interim financial statements.

ACASTI PHARMA INC.

Interim Statements of Changes in Equity
(Unaudited)

Nine-month periods ended November 30, 2016 and 2015

	Share Capital		Contributed		
	Number	Amount	Surplus	Deficit	Total
Balance, February 29, 2016	10,712,038	$ 61,972,841	$ 4,874,727	$ (39,627,536)	$ 27,220,032
Net loss and total comprehensive loss for the period	–	–	–	(7,880,344)	(7,880,344)
	10,712,038	61,972,841	4,874,727	(47,507,880)	19,339,688
Transactions with equity holders, recorded directly in equity					
Contributions by and distribution to equity holders					
Share-based payment transactions (note 7)	–	–	429,856	–	429,856
Total contributions by and distribution to equity holders	–	–	429,856	–	429,856
Balance at November 30, 2016	10,712,038	$ 61,972,841	$ 5,304,583	$ (47,507,880)	$ 19,769,544

	Share Capital		Contributed		
	Number	Amount	Surplus	Deficit	Total
Balance, February 28, 2015	10,644,440[(1)]	$ 61,627,743	$ 4,911,381	$ (33,310,805)	$ 33,228,319
Net loss and total comprehensive loss for the period	–	–	–	(4,397,643)	(4,397,643)
	10,644,440	61,627,743	4,911,381	(37,708,448)	28,830,676
Transactions with equity holders, recorded directly in equity					
Contributions by and distribution to equity holders					
Share-based payment transactions (note 7)	–	–	201,024	–	201,024
Share options exercised (note 7)	250	625	–	–	625
RSUs released	16,973	231,923	(231,923)	–	–
Total contributions by and distribution to equity holders	17,223	232,548	(30,899)	–	201,649
Balance at November 30, 2015	10,661,663	$ 61,860,291	$ 4,880,482	$ (37,708,448)	$ 29,032,325

(1) Adjusted to give effect to the reverse stock split that occurred on October 15, 2015, as detailed in note 4.

See accompanying notes to unaudited interim financial statements.

ACASTI PHARMA INC.

Interim Statements of Cash Flows
(Unaudited)

Three-month and nine-month periods ended November 30, 2016 and 2015

	Three-month periods ended November 30,		Nine-month periods ended November 30,	
	2016	2015	2016	2015
Cash flows from operating activities:				
Net loss for the period	$ (2,396,840)	$ (2,191,292)	$ (7,880,344)	$ (4,397,643)
Adjustments:				
Depreciation of equipment	39,829	16,061	101,337	31,726
Amortization of intangible asset	580,707	585,020	1,742,121	1,751,809
Stock-based compensation	155,133	43,961	429,856	201,024
Net finance income	(115,451)	(442,087)	(40,808)	(3,004,867)
Realized foreign exchange (loss) gain	(37,521)	(983)	15,129	11,503
	(1,774,143)	(1,989,320)	(5,632,709)	(5,406,448)
Changes in non-cash operating items (note 8)	(29,168)	359,976	845,462	523,299
Net cash used in operating activities	(1,803,311)	(1,629,344)	(4,787,247)	(4,883,149)
Cash flows from investing activities:				
Interest received	93,448	935	115,552	93,235
Acquisition of equipment	(715,722)	(79,239)	(1,769,049)	(222,565)
Addition of intangible assets	–	(46,320)	–	(83,645)
Acquisition of short-term investments	(3,498,908)	–	(12,764,531)	(2,512,000)
Maturity of short-term investments	4,787,056	3,881,100	17,999,146	10,964,800
Net cash from investing activities	665,874	3,756,476	3,581,118	8,239,825
Cash flows from financing activities:				
Proceeds from exercise of options	–	–	–	625
Interest paid	(790)	(1,108)	(15,905)	(3,099)
Net cash used in financing activities	(790)	(1,108)	(15,905)	(2,474)
Foreign exchange gain on cash held in foreign currencies	59,840	14,278	9,174	80,801
Net (decrease) increase in cash	(1,078,387)	2,140,302	(1,212,860)	3,435,003
Cash, beginning of period	2,892,470	2,605,257	3,026,943	1,310,556
Cash, end of period	$ 1,814,083	$ 4,745,559	$ 1,814,083	$ 4,745,559

See accompanying notes to unaudited interim 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. Neptune Technologies and Bioressources Inc. (**Neptune** or the **parent**) currently owns approximately 47% of the issued and outstanding Class A shares (**Common Shares**) of the Corporation. The Corporation, Neptune and Biodroga Nutraceuticals Inc., a subsidiary of Neptune, are collectively referred to as the "Group". Beginning in fiscal 2017, the Corporation's fiscal year will end on March 31 of each year. As a result, fiscal 2017 will be a transition year, and will include 13 months of operations, beginning on March 1, 2016 and ending on March 31, 2017.

Pursuant to a license agreement entered into with Neptune in August 2008, as amended, Acasti has been granted an exclusive worldwide license to use Neptune's intellectual property to develop, clinically study and market new pharmaceutical products to treat human cardiovascular conditions. Neptune's intellectual property is related to the extraction of particular ingredients from marine biomasses, such as krill. The eventual products are aimed at applications in the prescription drug, over-the-counter medicine and medical foods markets. In December 2012, the Corporation entered into a prepayment agreement with Neptune pursuant to which the Corporation exercised its option under the License Agreement to pay in advance all of the future royalties payable under the license in fiscal 2014. As a result of the royalty prepayment, Acasti is no longer required to pay any royalties to Neptune under the License Agreement during its term for the use of the intellectual property under license. The license allows Acasti to exploit the intellectual property rights in order to develop novel active pharmaceutical ingredients ("APIs") into commercial products for the prescription drugs and the medical food markets.

The Corporation is subject to a number of risks associated with the successful development of new pharmaceutical products and their marketing, the conduct of its clinical studies and their results and the establishment of strategic alliances. 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, proceeds from exercises of warrants, rights and options, research grants and research tax credits. To achieve the objectives of its business plan, Acasti plans to raise additional necessary capital and proactively establish strategic alliances. It is anticipated that the products developed by the Corporation will require approval from the U.S Food and Drug Administration and equivalent organizations in other countries before their sale can be authorized. The ability of the Corporation to ultimately achieve profitable operations is dependent on a number of factors outside of the Corporation's control.

Refer to note 2 for the basis of preparation of the financial statements.

2. Basis of preparation

(a) Statement of compliance:

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**), on a basis consistent with those accounting policies followed by the Corporation in the most recent audited annual financial statements. These interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Accordingly, the interim financial statements do not include all of the information required for full annual financial statements, and therefore, should be read in conjunction with the audited financial statements and the notes thereto for the year ended February 29, 2016.

The financial statements were authorized for issue by the Board of Directors on January 12, 2017.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for:

- Stock-based compensation which is measured pursuant to IFRS 2, *Share-based payments* (note 7); and,
- Derivative warrant liabilities measured at fair value on a recurring basis (note 11).

2. Basis of preparation (continued):

(c) Going concern:

The Corporation has incurred operating losses and negative cash flows from operations since inception. As at November 30, 2016, the Corporation's $6.2 million in current assets are projected to be significantly less than needed to support the $1.8 million in current liabilities as at that date when combined with the projected level of expenses in the expected Phase 3 research and development phase of its drug candidate, CaPre. The Corporation is currently in the process of raising additional funds (including in association with its preliminary short-form prospectus filed on December 5, 2016) and is also currently working towards development of strategic partner relationships, but there can be no assurance as to when or whether Acasti will complete any financing or strategic collaborations. Although Acasti intends to continue to rely on the support of Neptune for a portion of its general and administrative needs, the continuance of this support is outside of the Corporation's control. If the Corporation does not raise additional funds, find one or more strategic partners or does not receive the continued support from its parent, it may not be able to realize its assets and discharge its liabilities in the normal course of business. As a result, there exists a material uncertainty that casts substantial doubt about the Corporation's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business. Management has reasonable expectations that the Corporation should be able to meet the above-mentioned objectives, assuming the successful completion of its current and future financing processes.

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 does not raise additional funds, material write-downs to the carrying values of the Corporation's assets, including the intangible asset, could be required.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(e) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

- Identification of triggering events indicating that the intangible assets might be impaired.
- The use of the going concern basis of preparation of the financial statements. At the end of each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Corporation will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include the following:

- Determination of the recoverable amount of the Corporation's cash generating unit ("CGU").
- Measurement of derivative warrant liabilities (note 11) and stock-based compensation (note 7).

Also, management uses judgment to determine which research and development ("R&D") expenses qualify for R&D tax credits and in what amounts. The Corporation recognizes the tax credits once it has reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

3. Significant accounting policies:

The accounting policies and basis of measurement applied in these interim financial statements are the same as those applied by the Corporation in its financial statements for the year ended February 29, 2016.

New standards and interpretations not yet adopted:

(i) Financial instruments:

On July 24, 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, *Financial Instruments,* which addresses the classification and measurement of financial assets and liabilities, impairment and hedge accounting, replacing IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation has not yet assessed the impact of adoption of IFRS 9, and does not intend to early adopt IFRS 9 in its financial statements.

(ii) Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions:

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-Based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. Earlier application is permitted. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The Corporation has not yet assessed the impact of adoption of the amendments of IFRS 2, and does not intend to early adopt these amendments in its financial statements.

4. Capital and other components of equity:

(a) Share capital:

All share information for current and comparative periods presented in these financial statements has been adjusted to give effect to the reverse split that occurred on October 15, 2015, as described below:

On October 15, 2015, the Corporation proceeded with the following transactions affecting its capital structure:

- The Corporation consolidated all classes of its capital stock on a 10:1 basis.
- The exercise price in effect in the case of incentive stock options, warrants and other securities convertible into Common Shares (the "Convertible Securities") increased proportionally to reflect the Consolidation. The number of Common Shares subject to a right of purchase under such Convertible Securities also decreased proportionally to reflect the Consolidation, provided that no fractional Common Share shall be issued or otherwise provided theretofore upon the exercise of any Convertible Securities.

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

(b) Warrants:

The warrants of the Corporation are composed of the following as at November 30, 2016 and February 29, 2016:

	November 30, 2016		February 29, 2016	
	Number outstanding	Amount	Number outstanding	Amount
Liability				
Series 8 Public offering warrants 2014 (note 11) (i)	18,400,000	$ 60,012	18,400,000	$ 156,377
Equity				
Private placement warrants				
Series 9 Private placement warrants 2014 (ii)	161,654	$ –	161,654	$ –

(i) In order to obtain one Common Share of the Corporation at an exercise price of US$15.00, 10 warrants must be exercised. Warrants expire on December 3, 2018.
(ii) Warrant to acquire one Common Share of the Corporation at an exercise price of $13.30, expiring on December 3, 2018.

5. Finance income and finance costs:

(a) Finance income:

	Three-month periods ended November 30, 2016	2015	Nine-month periods ended November 30, 2016	2015
Interest income	$ 9,352	$ 3,999	$ 115,322	$ 32,514
Foreign exchange gain	109,285	84,459	–	888,634
	$ 118,637	$ 88,458	$ 115,322	$ 921,148

(b) Finance costs:

	Three-month periods ended November 30, 2016	2015	Nine-month periods ended November 30, 2016	2015
Interest charges	$ (1,245)	$ (1,108)	$ (15,905)	$ (3,099)
Foreign exchange loss	$ –	$ –	$ (154,974)	$ –
	$ (1,245)	$ (1,108)	$ (170,879)	$ (3,099)

6. Change in classification:

During the three-month and nine-month periods ended November 30, 2016, the Corporation modified the Statements of Earnings and Comprehensive Loss classification on amortization expense of equipment and intangible assets as well as certain legal fees from "general and administrative expenses" to "research and development expenses" to reflect more appropriately the way in which economic benefits are derived from the use of these expenses. Comparative amounts in the Statements of Earnings and Comprehensive Loss were reclassified for consistency, which resulted in $743,214 and $1,923,240 being reclassified for the three-month and nine-month periods ended November 30, 2015, from "general and administrative expenses" to "research and development expenses."

Since the amounts are reclassifications within the operating activities in the Statement of Earnings and Comprehensive Loss, this reclassification did not have any effect on the statements of financial position.

7. Share-based payment:

At November 30, 2016 the Corporation has the following share-based payment arrangements:

(a) Corporation stock option plan:

The Corporation has established a stock option plan for directors, officers, employees and consultants of the Corporation. The plan provides for the granting of options to purchase Class A shares. The exercise price of the stock options granted under this plan is not lower than the closing price of the shares listed on the TSXV on the eve of the grant. Under this plan, the maximum number of Class A shares that may be issued upon exercise of options granted under the plan is 2,142,407, representing 20% of the number of Class A shares issued and outstanding as at February 29, 2016. The terms and conditions for acquiring and exercising options are set by the Corporation's Board of Directors, subject, among others, to the following limitations: the term of the options cannot exceed ten years and every stock option granted under the stock option plan will be subject to conditions no less restrictive than a minimum vesting period of 18 months and a gradual and equal acquisition of vesting rights not shorter than on a quarterly basis. The total number of shares issued to any one consultant cannot exceed 2% of the Corporation's total issued and outstanding shares. The Corporation is authorized to grant such number of options under the stock option plan that could result in a number of Class A shares issuable pursuant to options granted to (a) related persons exceeding 10% of the Corporation's issued and outstanding Class A shares (on a non-diluted basis) on the date an option is granted, or (b) any one eligible person in a twelve month period exceeding 5% of the Corporation's issued and outstanding Class A shares (on a non-diluted basis) on the date an option is granted.

Activities within the plan are detailed as follows:

	November 30, 2016		November 30, 2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at March 1, 2016 and 2015	$ 13.52	454,151	$ 15.33	429,625
Granted	1.72	835,400	4.65	109,188
Exercised	–	–	2.50	(250)
Forfeited	12.39	(159,200)	18.52	(21,000)
Expired	14.86	(125,500)	18.57	(17,500)
Outstanding at November 30, 2016 and 2015	$ 3.72	1,004,851	$ 12.76	500,063
Exercisable at November 30, 2016 and 2015	$ 9.66	236,595	$ 15.29	365,564

7. Share-based payment (continued):

(a) Corporation stock option plan (continued):

The fair value of options granted has been estimated according to the Black-Scholes option pricing model and based on the weighted average of the following assumptions for options granted during the nine-month periods ended:

	Nine-month period ended November 30, 2016	Nine-month period ended November 30, 2015
Exercise price	$ 1.72	$ 4.65
Share price	$ 1.72	$ 4.65
Dividend	–	–
Risk-free interest	0.70%	0.66%
Estimated life	4.38 years	4.20 years
Expected volatility	124.66%	65.63%

The weighted average fair value of the options granted to employees during the nine-month period ended November 30, 2016 was $1.39 (2015 - $2.14) and no options were granted to non-employees. For the three-month and nine-month periods ended November 30, 2016, the Corporation recognized stock-based compensation under this plan in the amount of $155,133 and $429,856, respectively (2015 - $42,888 and $126,640).

(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 November 30, 2016 (2015 -1,125) and no stock-based compensation was recognized for the three-month and nine-month periods ended November 30, 2016 (2015 – nil and $64,388).

8. Supplemental cash flow disclosure:

(a) Changes in non-cash operating items:

	Three-month periods ended November 30,		Nine-month periods ended November 30,	
	2016	2015	2016	2015
Trade and other receivables	$ (86,577)	$ 14,901	$ 190,285	$ 204,891
Tax credits receivable	108,045	(14,367)	61,210	240,793
Inventories	–	3,769	–	12,251
Prepaid expenses	46,326	(39,961)	266,401	115,910
Trade and other payables	93,721	504,601	328,364	455,369
Receivable from/payable to parent corporation	(190,683)	(108,967)	(798)	(505,915)
Changes in non-cash operating items	$ (29,168)	$ 359,976	$ 845,462	$ 523,299

8. Supplemental cash flow disclosure (continued):

(b) Non-cash transactions:

	Three-month periods ended November 30,		Nine-month periods ended November 30,	
	2016	2015	2016	2015
Acquired equipment included in trade and other payables	$ 290,712	$ 53,443	$ 290,712	$ 53,443

9. Commitments and contingency:

Research and development agreements:

In the normal course of business, the Corporation has signed agreements with various partners and suppliers for them to execute research projects and to produce certain tools and equipment. The Corporation has reserved certain rights relating to these projects.

The Corporation initiated research and development projects that are planned to be conducted over the next 12-month period for a total cost of $2,534,463, of which an amount of $647,618 has been paid to date. As at November 30, 2016, an amount of $615,107 is included in ''Trade and other payables'' related to these projects.

The Corporation has also entered into a contract to purchase production equipment for a total cost of $2,421,894 to be used in the manufacturing of the clinical and future commercial supply of CaPre®, of which an amount of $1,390,029 has been paid to date. As at November 30, 2016, an amount of $290,712 is included in ''Trade and other payables'' related to this equipment.

Contingency:

A former CEO of the Corporation is claiming the payment of approximately $8.5 million and the issuance of equity instruments from the Group. As the Corporation’s management believes that these claims are not valid, no provision has been recognized. Neptune and its subsidiaries also filed an additional claim to recover certain amounts from the former officer. All outstanding share-based payments held by the former CEO have been cancelled during the year ended February 28, 2015.

10. Related parties:

(a) Administrative and research and development expenses:

During the three-month and nine-month periods ended November 30, 2016 and 2015, 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:

	Three-month periods ended November 30,		Nine-month periods ended November 30,	
	2016	2015	2016	2015
Research and development expenses	$ 4,407	$ 694	$ 13,565	$ 347,243
General and administrative expenses	119,025	161,958	376,832	574,702
	$ 123,432	$ 162,652	$ 390,397	$ 921,945

The Corporation purchased from the parent company research and development supplies totaling $112,500, which is currently recorded in prepaid expenses and will be expensed as used.

10. Related parties (continued):

(a) Administrative and research and development expenses:

Where Neptune incurs specific incremental costs for the benefit of the Corporation, it charges those amounts directly. Costs that benefit more than one entity of the Group are charged by allocating a fraction of costs incurred by Neptune that is commensurate to the estimated fraction of services or benefits received by each entity for those items.

These charges do not represent all charges incurred by Neptune that may have benefited the Corporation. Also, these charges do not necessarily represent the cost that the Corporation would otherwise need to incur, should it not receive these services or benefits through the shared resources of Neptune.

(b) Interest revenue:

On January 7, 2016 Neptune announced the acquisition of Biodroga Nutraceuticals Inc. As part of this transaction, the Corporation pledged an amount of $2 million (“Committed Funds”) to partly guarantee the financing for the said transaction (“Pledge Agreement”). Neptune had agreed to pay Acasti an annual fee on the Committed Funds outstanding at an annual rate of (i) 9% during the first six months and (ii) 11% for the remaining term of the Pledge Agreement. On September 20, 2016, Neptune fully released the pledged amount. The Corporation recognized interest revenue in the amount of $6,011 and $89,153 during the three-month and nine-month periods ended November 30, 2016, respectively.

(c) Payable to parent corporation:

Payable to parent corporation primarily for general and administrative shared services has no specified maturity date for payment or reimbursement and does not bear interest.

(d) Key management personnel compensation:

The key management personnel are the officers of the Corporation, the members of the Board of Directors of the Corporation and of the parent company. They control in the aggregate less than 1% of the voting shares of the Corporation.

Key management personnel compensation includes the following for the three-month and nine-month periods ended November 30, 2016 and 2015:

	Three-month periods ended November 30,		Nine-month periods ended November 30,	
	2016	2015	2016	2015
Short-term benefits	$ 221,668	$ 193,167	$ 778,908	$ 488,490
Severance	–	–	–	102,900
Share-based compensation costs	149,778	31,127	393,830	125,672
	$ 371,446	$ 224,294	$ 1,172,738	$ 717,062

11. Determination of fair values:

Certain of the Corporation’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Financial and non-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.

11. Determination of fair values (continued):

Derivative warrant liabilities:

The Corporation has determined that the carrying values of its short-term financial assets and liabilities approximate their fair value given the short-term nature of these instruments.

The Corporation measured its derivative warrant liabilities at fair value on a recurring basis. These financial liabilities were measured using level 3 inputs.

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

	November 30, 2016	February 29, 2016
Exercise price (1)	US $1.50	US $1.50
Share price	US $1.40	US $1.50
Dividend	–	–
Risk-free interest	1.19%	0.87%
Estimated life	2.01 years	2.76 years
Expected volatility	78.70%	76.34%

(1) In order to obtain one Common Share, 10 warrants must be exercised.

The fair value of the warrants issued was determined to be $0.03 per share issuable as at November 30, 2016 ($0.09 per share issuable as at February 29, 2016).

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 $28,544 or a gain of $21,971 respectively.

The reconciliation of changes in level 3 fair value measurements of financial liabilities for the nine-month period ended November 30, 2016 and 2015 is presented in the following table:

	November 30, 2016	November 30, 2015
Opening balance at March 1, 2016 and 2015	$ 156,377	$ 2,357,408
Change in fair value of derivative warrant liabilities	(96,365)	(2,086,818)
Closing balance at November 30, 2016 and 2015	$ 60,012	$ 270,590

For the three-month period ended November 30, 2016, the change in fair value of the derivative warrant liabilities was a loss of $1,941 (2015 – gain of $354,737).

Share-based payment transactions:

The fair value of share-based payment transaction is measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour unless no entity-specific information exists in which case the average of the vesting and contractual periods is used), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions, if any, are not taken into account in determining fair value.