

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Corporate Secretary of the Corporation at 2486 Dunwin Drive, Mississauga, Ontario, L5L 1J9, telephone: (416) 679-0771, and are also available electronically at www.sedar.com.

The securities offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”), or the securities laws of any state of the United States (as such term is defined in Regulation S under the 1933 Act, the “United States”). Accordingly, the securities offered hereunder may not be offered or sold in the United States or to U.S. persons unless an exemption from registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution”.

Short Form Prospectus

New Issue

June 21, 2018



Acerus Pharmaceuticals Corporation

\$5,750,010
19,166,700 Units

This short form prospectus of Acerus Pharmaceuticals Corporation (the “**Corporation**”) qualifies the distribution (the “**Offering**”) of 19,166,700 units of the Corporation (the “**Units**”) at a price of \$0.30 per Unit (the “**Offering Price**”) for gross proceeds to the Corporation of \$5,750,010. Each Unit consists of one common share in the capital of the Corporation (a “**Common Share**”, and each Common Share comprising part of a Unit, a “**Unit Share**”) and one Common Share purchase warrant (a “**Warrant**”). Each Warrant will entitle the holder thereof to purchase one Common Share (a “**Warrant Share**”) at an exercise price of \$0.40 per Warrant Share, subject to adjustment in certain circumstances, at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the closing of the Offering (the “**Closing**”). See “Description of Securities Being Offered”. Mackie Research Capital Corporation, as sole bookrunner and underwriter (the “**Underwriter**”), has agreed to purchase the Units from the Corporation at the Offering Price, subject to the terms and conditions of the underwriting agreement described under “Plan of Distribution”. The Offering Price was determined by arm’s length negotiations between the Corporation and the Underwriter.

The outstanding Common Shares are listed and posted for trading on the TSX under the symbol “ASP”. On June 5, 2018, the last trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$0.345 per Common Share. On June 20, 2018, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$0.275 per Common Share.

This short form prospectus qualifies the distribution of the Units, the Unit Shares, the Warrants and the grant and issuance of the Broker Options (as defined below).

The TSX has conditionally approved the listing of the following on the TSX: (i) the Unit Shares comprising part of the Units; (ii) the Warrants comprising part of the Units; (iii) the Warrant Shares issuable upon exercise of the Warrants; (iv) the Broker Shares (as defined below) issuable upon exercise of the Broker Options (as defined below); (v) the Additional Unit Shares (as defined below) comprising part of the Additional Units (as defined below); (vi) the Additional Warrants (as defined below) comprising part of the Additional Units; (vii) the additional

Warrant Shares (the “**Additional Warrant Shares**”) issuable upon the exercise of the Additional Warrants; and (viii) the additional Broker Shares (the “**Additional Broker Shares**”) issuable upon exercise of the Additional Broker Options (as defined below). Listing of the Unit Shares, the Warrants, the Warrant Shares, the Broker Shares, the Additional Units Shares, the Additional Warrants, the Additional Warrant Shares and the Additional Broker Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before September 10, 2018. **There is currently no market through which the Warrants or the Additional Warrants may be sold.**

Price: \$0.30 per Unit

	<u>Price to the Public</u>	<u>Underwriter’s Fee⁽¹⁾</u>	<u>Net Proceeds to the Corporation⁽²⁾</u>
Per Unit.....	\$0.30	\$0.021	\$0.279
Total Offering ⁽³⁾	\$5,750,010	\$402,501	\$5,347,509

- (1) Upon Closing (or closing of the Over-Allotment Option (as defined below) if applicable), the Corporation will pay the Underwriter a cash commission equal to 7% of the gross proceeds of the Offering (the “**Underwriter’s Fee**”). See “Plan of Distribution”. As additional consideration for the Underwriter’s services to the Corporation in connection with the Offering, the Corporation has agreed to grant the Underwriter broker options (the “**Broker Options**”) to purchase up to that number of Common Shares (each, a “**Broker Share**”) that is equal to 7% of the number of Units issued pursuant to the Offering at a price of \$0.30 per Broker Share (including in respect of the Over-Allotment Option). The Broker Shares may be exercised, in whole or in part, by the Underwriter at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing. See “Plan of Distribution” and “Description of Securities Being Offered”.
- (2) Before deducting expenses of the Offering, estimated to be approximately \$400,000, which, together with the Underwriter’s Fee, will be paid from the proceeds of the Offering.
- (3) The Corporation has granted to the Underwriter an option (the “**Over-Allotment Option**”), exercisable in whole or in part, and from time to time, up to 30 days after Closing, to purchase up to an additional 2,875,005 Units (the “**Additional Units**”) (each Additional Unit comprised of one additional Unit Share (the “**Additional Unit Shares**”) and one additional Warrant (the “**Additional Warrants**”), at the Offering Price, on the same terms as set out above, solely to cover the Underwriter’s over-allocation position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriter’s Fee” and “Net Proceeds to the Corporation”, before deducting the expenses of the Offering, will be approximately \$6,612,512, \$462,876, and \$6,149,636, respectively. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the issuance of the Additional Units, the Additional Unit Shares, the Additional Warrants, and the grant and issuance of the additional Broker Options (the “**Additional Broker Options**”), pursuant to the exercise of the Over-Allotment Option. See “Plan of Distribution” and the table below. A purchaser who acquires securities forming part of the Underwriter’s over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. References to “Units”, “Unit Shares”, “Warrants” and “Broker Options” in this short form prospectus will include the securities issuable upon exercise of the Over-Allotment Option, as applicable in the context used.

<u>Underwriter’s Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Broker Options	Up to 1,341,669 Broker Options (or up to 1,542,919 Broker Options if the Over-Allotment Option is exercised in full)	Up to 24 months following the Closing	\$0.30 per Broker Share
Over-Allotment Option	Option to acquire up to 2,875,005 Additional Units	Exercisable up to 30 days after Closing	\$0.30 per Additional Unit

The Underwriter, as principal, conditionally offers the Units, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriter in accordance with the conditions contained in the underwriting agreement described under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Corporation by Stikeman Elliott LLP and on behalf of the Underwriter by Fasken Martineau DuMoulin LLP.

The Corporation has been advised by the Underwriter that, in connection with the Offering and subject to applicable laws, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the

Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriter may offer the Units to the public at a price lower than that stated above. See “Plan of Distribution”.**

Subscriptions of Units will be received subject to rejection or allotment in whole or in part and the Underwriter reserves the right to close the subscription books at any time without notice. It is expected that the Closing will take place on or about the week of June 25, 2018 or on such later date as the Corporation and the Underwriter may agree, but in any event not later than July 2, 2018. It is anticipated that registrations and transfers of the Units (including the Unit Shares, the Warrants, the Warrant Shares issuable upon exercise of the Warrants and any Additional Units, Additional Unit Shares, Additional Warrants and Additional Warrant Shares, issuable upon exercise of the Additional Warrants (collectively, the “**Underlying Securities**”)) will be effected electronically through the non-certificated inventory (“**NCI**”) system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). Beneficial owners of the Units (or the Underlying Securities) will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of the Units (or the Underlying Securities). See “Plan of Distribution”.

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See “Risk Factors”.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Units offered by this short form prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

An investment in Units is subject to a number of risks that should be considered by prospective investors. See the risk factors set forth under “Risk Factors” in this short form prospectus and the documents incorporated by reference herein for a discussion of factors that should be considered by prospective investors and their advisers in assessing the appropriateness of an investment in the Units.

TSX Trust Company, at its office in Toronto, Ontario, is the transfer agent for the Common Shares and the warrant agent in respect of the Warrants. See “Auditor, Registrar and Transfer Agent”.

The Corporation’s head and registered office is located at 2486 Dunwin Drive, Mississauga, Ontario, L5L 1J9, telephone: (416) 679-0771.

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GENERAL MATTERS

In this short form prospectus, “Acerus”, “the Corporation”, “we”, “us” and “our” refer collectively to Acerus Pharmaceuticals Corporation and/or its subsidiaries, as applicable in the context. Unless otherwise indicated, the disclosure contained in this short form prospectus assumes that the Over-Allotment Option has not been exercised.

Prospective purchasers should rely only on the information contained or incorporated by reference in this short form prospectus. The Corporation and the Underwriter have not authorized any person to provide prospective purchasers with additional or different information. If anyone provides prospective purchasers with additional or different or inconsistent information, including information or statements in media articles about the Corporation, prospective purchasers should not rely on it. The Corporation and the Underwriter are not making an offer to sell or seeking offers to buy the Units in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing or incorporated by reference in this short form prospectus is accurate only as at its date, regardless of its time of delivery or of any sale of the Units. The Corporation’s business, financial condition, results of operations and prospects may have changed since that date.

Any reference contained or incorporated by reference in this short form prospectus to intellectual property rights held by the Corporation and related commercialization efforts are for convenience purposes only and in no way change or limit the owner of such rights.

Unless otherwise indicated, market data and certain industry data and forecasts contained or incorporated by reference in this short form prospectus concerning the industry of the Corporation and the markets in which it operates or seeks to operate were obtained from internal Corporation surveys, market research, publicly available information, reports of governmental agencies and industry publications and surveys. The Corporation has relied upon industry publications as its primary sources for third-party industry data and forecasts. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Corporation has not independently verified any of the data from third-party sources, nor has the Corporation ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which the Corporation believes to be reliable based upon management’s knowledge of the industry, have not been independently verified. By their nature, forecasts are particularly subject to change or inaccuracies, especially over long periods of time. In addition, the Corporation does not know what assumptions regarding general economic growth were used in preparing the forecasts cited in this short form prospectus or a document incorporated by reference. While the Corporation is not aware of any misstatements regarding the Corporation’s industry data presented herein or therein, the Corporation’s estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under “Forward-Looking Statements” and “Risk Factors” in this short form prospectus. This short form prospectus may only be used for the purpose for which it has been published.

CURRENCY AND EXCHANGE RATE INFORMATION

This short form prospectus contains references to the Canadian dollar and the United States dollar. All references to “dollars” or “\$” are to Canadian dollars, unless otherwise indicated, and United States dollars are referred to as “U.S. dollars” or “US\$”.

The following table reflects the high, low and average rates of exchange in Canadian dollars for one United States dollar for the periods noted, based on the Bank of Canada rate of exchange.

	<u>Twelve months ended December 31, 2017</u>	<u>Twelve months ended December 31, 2016</u>
High	\$1.3743	\$1.4559
Low	\$1.2128	\$1.2536

	<u>Twelve months ended December 31, 2017</u>	<u>Twelve months ended December 31, 2016</u>
Average	\$1.2986	\$1.3245

On June 20, 2018, the rate of exchange as reported by the Bank of Canada was US\$1.00 = \$1.3301 or \$1.00 = US\$0.7518. No representation is made that Canadian dollars could be converted into U.S. dollars at that rate or any other rate.

PRESENTATION OF FINANCIAL INFORMATION

The financial statements of the Corporation incorporated by reference in this short form prospectus are reported in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

NON-IFRS FINANCIAL MEASURES

The non-IFRS measures included in this short form prospectus, including EBITDA and Adjusted EBITDA, are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the nearest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Corporation’s results of operations from the Corporation’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, the Corporation stresses that these are non-IFRS measures that may be limited in their usefulness to investors.

Please refer to the 2017 MD&A (as defined below) and the Q1 2018 MD&A (as defined below), which are incorporated by reference in this short form prospectus, for a definition of these non-IFRS measures and a reconciliation to the nearest IFRS measures. These non-IFRS measures should also be read in conjunction with the 2017 Audited Financial Statements (as defined below) and the Q1 Interim Financial Statements (as defined below), which are also incorporated by reference in this short form prospectus.

FORWARD-LOOKING STATEMENTS

This short form prospectus contains forward-looking information within the meaning of Canadian securities laws (“**forward-looking statements**”). Forward-looking statements are not based on historical facts, but rather on the Corporation’s expectations regarding its objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and its results of operations, performance and business prospects and opportunities. Forward-looking statements may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. This short form prospectus includes words such as “believe”, “expect”, “would”, “will”, “expects”, “anticipates”, “intends”, “estimates”, or similar expressions and the negative of such expressions which are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements reflect the Corporation’s current beliefs based on information currently available to the Corporation.

Forward-looking statements in this short form prospectus and the documents incorporated by reference herein include, but are not limited to, information or statements about: the completion and expected timing of the Offering; the receipt of required regulatory approvals (including stock exchange) in respect of the Offering; and the net proceeds from the Offering, the Corporation’s use of the net proceeds from the Offering and the results of activities conducted using such net proceeds.

These forward-looking statements are subject to important assumptions and the Corporation has also made certain macroeconomic and general industry assumptions in the preparation of such forward-looking statements. While the Corporation considers these factors and assumptions to be reasonable based on information currently available, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation's business, or developments in the Corporation's industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Risks related to forward-looking statements include, among other things: the ability of the Corporation to continue as a going concern; the Corporation's limited operating history; the Corporation's ability to meet future capital requirements; the fluctuating operating results of the Corporation; the degree of market acceptance of the Corporation's products; risks relating to generic competition for the Corporation's products; extensive government regulation; risks associated with debt financing; marketing and distribution risks; manufacturing-related risks; supplier risks; risks relating to the supply of raw materials; publication of adverse clinical trial results; risks related to unexpected product safety or efficacy concerns; risks relating to promotional activities; risks associated with the cost and reimbursement of the Corporation's products; risks related to reliance on data obtained from IMS; intellectual property risks, including the uncertainty of intellectual property protection, risks associated with licensed patent rights and the risk of third party claims of infringement; risks related to disputes regarding ownership or inventorship of products and technologies; risks associated with trade secrets; risks related to the performance of services by third parties; risks associated with the public market and volatility associated with the Corporation's shares; risk of potential third-party liability; risks relating to clinical testing conducted by the Corporation; regulatory approval related matters; risks related to certain minimum payment obligations; a dependence on key personnel; risk of potential dilution of shareholders; risks associated with potential future acquisition activities; risks associated with the expiry of inventory; risks relating to the valuation of intangible assets; risks associated with returns, allowances and chargebacks; risks relating to the ability of the Corporation to expand its operations; competition risks; risks associated with technological change; foreign exchange risk; concentration risk; risks associated with certain indemnity obligations; tax-related risks; risks relating to the Corporation's ability to generate ancillary additional revenue; and risks relating to securities analyst coverage of the Corporation.

Additional information about these factors can be found in the "Risk Factors" sections of this short form prospectus and in the 2017 AIF (as defined below) incorporated by reference herein. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking statements in this short form prospectus, and, accordingly, investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statements speak only as of the date on which such statement is made and the Corporation undertakes no obligation to update any forward-looking statements to reflect the occurrence of unanticipated events, except as required by law. New risk factors emerge from time to time and the importance of current factors may change from time to time and it is not possible for the Corporation to predict all such factors, changes in such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements contained in this short form prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporation at 2486 Dunwin Drive, Mississauga, Ontario, L5L 1J9, and are also available electronically at www.sedar.com.

The following documents have been filed with the securities regulatory authorities in each province of Canada, except Quebec, and are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the Corporation's annual information form dated March 20, 2018 (the "**2017 AIF**");

- (b) the Corporation's audited consolidated financial statements for the years ended December 31, 2017 and 2016 (the "**2017 Audited Financial Statements**");
- (c) the Corporation's management's discussion and analysis of the financial condition and results of the operations for the three and twelve months ended December 31, 2017 (the "**2017 MD&A**");
- (d) the Corporation's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018, except for the notice provided under subparagraph 4.3(3)(a) of National Instrument 51-102 – Continuous Disclosure Obligations (the "**Q1 Interim Financial Statements**");
- (e) the Corporation's management's discussion and analysis of the financial condition and results of the operations for the three months ended March 31, 2018 (the "**Q1 2018 MD&A**");
- (f) the Corporation's management information circular dated May 15, 2018 for the annual and special meeting of shareholders to be held on June 28, 2018;
- (g) the Corporation's material change report dated April 5, 2018, in respect of the appointment of Mr. Edward Gudaitis as President and Chief Executive Officer of the Corporation;
- (h) the Corporation's material change report dated June 11, 2018, in respect of the Offering;
- (i) the template version of the term sheet of the Corporation in respect of the Offering dated June 6, 2018; and
- (j) the amended template version of the term sheet of the Corporation in respect of the Offering dated June 7, 2018.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by the Corporation with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation after the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference in this short form prospectus will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or therein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

The information contained on the Corporation's website is not part of this short form prospectus and is not incorporated by reference in this short form prospectus despite any references thereto in any such documents. Other than this short form prospectus in electronic format, the information on the Underwriter's website and any information contained in any other website maintained by the Underwriter or its affiliates is not part of this short form prospectus, has not been approved and/or endorsed by the Corporation or the Underwriter and should not be relied upon by investors.

MARKETING MATERIALS

The marketing materials are not part of this short form prospectus to the extent that the contents of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any “template version” of “marketing materials” (as such terms are defined in National Instrument 44-101 – *Short Form Prospectus Distributions*) filed with the securities commissions or similar authority in each of the provinces of Canada, except Quebec, in connection with the Offering after the date hereof but prior to the termination of the distribution under the Offering (including any amendments, or an amended version of, the marketing materials) is deemed to be incorporated into this short form prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Corporation, and Fasken Martineau DuMoulin LLP, counsel to the Underwriter, based on the current provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Regulations**”), the Unit Shares, Warrants and Warrant Shares, as applicable, if issued on the date hereof, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a deferred profit sharing plan, a registered education savings plan (“**RESP**”), a registered disability savings plan (“**RDSP**”) or a tax-free savings account (“**TFSA**”), each as defined in the Tax Act (each, a “**Plan**”), at the time of the acquisition of such Unit Shares, Warrants and Warrant Shares by the Plan, provided that:

- (a) in the case of the Unit Shares and the Warrant Shares, such Unit Shares and Warrant Shares are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX); and
- (b) in the case of the Warrants, (i) the Warrants are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX), or (ii) the Warrant Shares are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX) at the particular time and the Corporation is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Plan.

Notwithstanding the foregoing, if the Unit Shares, Warrants or Warrant Shares held by a TFSA, RRSP, RRIF, RESP or RDSP are “prohibited investments” for purposes of the Tax Act, the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF, or the subscriber of the RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Unit Shares, Warrants or Warrant Shares will generally not be “prohibited investments” unless the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF, or the subscriber of the RESP, as applicable, (i) does not deal at arm’s length with the Corporation for purposes of the Tax Act, or (ii) has a “significant interest” (as defined in the Tax Act) in the Corporation. In addition, the Unit Shares and Warrant Shares will generally not be “prohibited investments” if such securities are “excluded property” (as defined in the Tax Act) for a TFSA, RRSP, RRIF, RESP or RDSP. Prospective purchasers who intend to hold the Unit Shares, Warrants or Warrant Shares in their TFSAs, RRSPs, RRIFs, RESPs or RDSPs should consult their own tax advisors regarding their particular circumstances.

BUSINESS OF THE CORPORATION

The Business

The Corporation is a Canadian-based specialty pharmaceutical company focused on the development, manufacture, marketing and distribution of innovative, branded products that improve patient experience, with a primary focus in the field of men’s and women’s health. The Corporation commercializes its products via its own salesforce in Canada, and through a global network of licensed distributors in the United States (“**U.S.**”) and other territories.

The Corporation currently has three marketed products: ESTRACE[®], a product for the symptomatic relief of menopausal symptoms, is commercialized in Canada; NATESTO[®], the first and only testosterone nasal gel for testosterone replacement therapy in adult males diagnosed with hypogonadism, is commercialized in Canada and the

U.S.; and URIVARX[®], a Natural Health Product that helps reduce symptoms of hyperactive bladder such as daytime urinary frequency, urgency and nocturia. URIVARX[®] was recently approved by Health Canada and will be offered over-the-counter to Canadians dealing with such symptoms. Also, NATESTO[®] has been licensed for distribution in 48 additional countries worldwide. Marketing approvals in jurisdictions outside of North America are expected to take place over the course of the coming years. The Corporation's pipeline includes six innovative products: avanafil, a new chemical entity PDE5 inhibitor for the treatment of erectile dysfunction, which has been approved by the U.S. Food and Drug Administration and the European Medicines Agency and is commercialized in the U.S. under the trade name STENDRA[®] and in the European Union under the trade name SPEDRA[®]; SHACT[™], a short acting lidocaine formulation delivered through a proprietary device into the vaginal mucosal tissue; ELEGANT[™] Vaginal Moisturizer, which provides comfort to women suffering from vaginal dryness, and ELEGANT[™] pH, which is a pH balanced vaginal product; GYNOFLOR[™], an ultra-low dose vaginal estrogen combined with a probiotic, for which a New Drug Submission has been filed in Canada for the treatment of vaginal atrophy; and TEFINA[™], a clinical stage product aimed at addressing a significant unmet need for women with female sexual dysfunction. Finally, the Corporation is working on expanding its product portfolio by leveraging its proprietary delivery systems, patents and formulation expertise. As such, the Corporation has a number of products in various stages of development. One of these projects relates to cannabinoids (whether synthetic or naturally derived cannabinoids) to be delivered intranasally to patients, which may have multiple possible therapeutic applications (the "**Cannabinoids Initiative**"). The Corporation has filed patent applications on the Cannabinoids Initiative, is currently working on setting up a series of pharmacokinetic clinical trials and is actively looking at potential partnering transactions for these initiatives.

Further information regarding the Corporation and its business is set out in the Corporation's 2017 AIF, which is incorporated by reference herein.

Corporate Structure

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on July 15, 2009 as J5 Acquisition Corp. ("**J5**"). From incorporation until July 11, 2011, when J5 amended its articles of incorporation to change its name to "Trimel Pharmaceuticals Corporation", it operated as a "capital pool company" pursuant to Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual. On July 14, 2011, J5 (Barbados), Inc., a wholly-owned subsidiary of J5 incorporated under Barbados law, amalgamated with Trimel BioPharma Holdings Inc. ("**Trimel Holdings**") under the name "Trimel BioPharma Holdings Inc.". Upon completion of the amalgamation, the corporation completed its qualifying transaction by way of a reverse takeover transaction through an exchange of shares, resulting in the former shareholders of Trimel Holdings obtaining control of the Corporation. On September 8, 2015, the name of the Corporation was formally changed from "Trimel Pharmaceuticals Corporation" to "Acerus Pharmaceuticals Corporation".

The Corporation is the parent corporation to two wholly-owned subsidiaries. The Corporation owns a 100% interest in Acerus Labs Inc., which was incorporated under the *Business Corporations Act* (Ontario) on June 19, 2017, and Acerus Biopharma Inc., which was continued under the *Business Corporations Act* (Ontario) on November 8, 2017 (formerly Acerus Pharmaceuticals SRL, incorporated under the laws of Barbados).

Mattern Buyout

On May 16, 2018, the Corporation entered into an agreement with Mattern Pharma AG ("**Mattern**") to buy out all of its obligations (the "**Buyout**") under the amended and restated intellectual property rights and product development agreement, dated December 21, 2013 (as amended) ("**License Agreement**"), including all of the Corporation's future royalty payment obligations.

Under the License Agreement, the Corporation owed royalties on upfronts, milestones and revenues from products, including NATESTO[®], covered by the License Agreement, including minimum annual royalties of US\$5 million if gross product sales are US\$75 million or greater or US\$2.5 million if gross product sales are below US\$75 million, starting in fiscal 2018 and ending in 2024. Pursuant to the Buyout, with the payment of US\$7.5 million, all of the Corporation's material obligations owed to Mattern are suspended, but Mattern's obligations to the Corporation remain in force. Under the Buyout, among other rights, the Corporation received a perpetual, fully-paid, irrevocable license to all of Mattern's patents and know-how for the products covered by the License Agreement.

The Corporation has agreed to pay the US\$7.5 million in the following instalments: US\$0.75 million within 10 days from execution of the Buyout (which amount was paid), US\$1.75 million by September 20, 2018, US\$2.5 million by January 20, 2019, and US\$2.5 million by January 20, 2020.

The Buyout also includes a covenant not to sue and a waiver from Mattern, which will become irrevocable upon payment of the last instalment to Mattern. The Buyout will remain in full force and effect as long as the License Agreement is in force. In the event of a payment default, following a grace period, the Buyout automatically terminates and the License Agreement's obligations become binding on the Corporation again. In such an eventuality, all monies paid by the Corporation pursuant to the Buyout, with the exception of the first instalment, can be offset against monies that would otherwise be owed to Mattern under the License Agreement.

The Endo Agreement

On November 24, 2014, the Corporation announced that Acerus Pharmaceuticals SRL (a predecessor to Acerus Biopharma Inc.) had entered into an agreement (the "**Endo Agreement**") with Endo Bermuda Ventures Limited ("**Endo Bermuda**"), an affiliate of Endo International plc ("**Endo**"), providing Endo Bermuda with the exclusive rights to market NATESTO® in the United States and Mexico. Under the terms of the Endo Agreement, Acerus Pharmaceuticals SRL was eligible to receive payments of up to \$165 million based on certain regulatory and sales milestones in addition to an upfront fee of \$25 million and a prepaid inventory deposit of \$5 million paid upon closing of the transaction in December 2014. Additionally, Acerus Pharmaceuticals SRL remained responsible for the manufacture of NATESTO® and received a tiered supply price for the product. This transaction formally closed on December 9, 2014, and NATESTO® was commercially launched in the United States in the first quarter of 2015.

On June 30, 2016, the Corporation entered into a transition agreement with an affiliate of Endo. Pursuant to the transition agreement, both parties also entered into an agreement related to the customer deposit (pre-paid inventory) owed to Endo following the termination of the Endo Agreement. A US\$0.5 million cash payment was paid to Endo on July 5, 2016 and the remaining US\$3.8 million principal amount was subject to a promissory note with a maturity date of June 30, 2020 (as amended on March 15, 2018) (the "**Endo Note**"). As of March 31, 2018, the remaining principal amount under the Endo Note was approximately US\$2.4 million, of which US\$0.9 million is payable within a year. On March 15, 2018, the Endo Note was amended such that principal repayments under the Endo Note would now be made annually on December 31, 2018 of each year instead of quarterly. Payments of interest will continue to be made quarterly. See "Use of Proceeds".

NATESTO® Approval

On June 14, 2018, the Corporation announced that its licensee, Hyundai Pharm Co., Ltd., reported that South Korea's Ministry of Food and Drug Safety had approved NATESTO® for the treatment of hypogonadism.

The Corporation will receive a regulatory milestone payment linked to the regulatory approval. Additionally, the Corporation will oversee ongoing manufacturing of NATESTO® and receive a supply price for product. Commercial launch is planned for the fourth quarter of 2018.

FDA Mandated Cardiovascular Clinical Trial

Pursuant to a requirement by the U.S. Food and Drug Administration that manufacturers of certain approved testosterone products conduct a prospective clinical trial to evaluate the effect of testosterone replacement therapy on the incidence of major cardiovascular events in men, the Corporation has negotiated with other pharmaceutical companies to form a consortium to conduct the clinical trial and it is intended that a consortium agreement will be executed imminently. As a consortium member, the Corporation is responsible for funding its proportion of the study costs, which are estimated to be \$2.0 million over the life of the study, based on current study cost projections. Additional information on the study is available at clinicaltrials.gov.

Cannabinoids Initiative Regulatory Responsibilities

In connection with the Cannabinoids Initiative, the Corporation is looking to partner with entities who would also be licensed producers of marijuana in Canada, and would thus be responsible for regulatory approval of products under the Canadian cannabis legislation. This would involve a potential partner complying with all of the *Access to Cannabis for Medical Purposes Regulations* requirements and any upcoming cannabis legislation in Canada, as well as holding and being in good standing under a licensed producer license and a licensed distributor license. Similarly, the Corporation anticipates that either the Corporation or an eventual pharmaceutical company partner will be responsible for pursuing approval under the traditional pharmaceutical approval pathway (i.e., the DIN Route). This would involve running Phase I, Phase II and Phase III clinical trials and submitting a New Drug Submission (NDS) with Health Canada (or the equivalent in foreign jurisdictions) as well as ensuring that all products are in compliance with all GMP requirements and any and all regulations pertaining to the sales of pharmaceuticals products, including, without limitation, pharmacovigilance requirements.

Changes to Revenue Recognition Policies under IFRS

The Corporation adopted IFRS 15 *Revenue from Contracts with Customers* (“**IFRS 15**”) on January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the Corporation has adopted the new rules retrospectively and has restated comparatives for the 2017 & 2016 fiscal years.

The Corporation’s product revenue is from the sale of goods where control transfers to the customer and the Corporation’s performance obligations are satisfied. The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognized under these arrangements.

License and other revenue mainly consists of upfront payments and milestone payments received from license and supply agreements. In its review of out-licensing agreements, the Corporation concluded that the license is distinct from other goods and services in the contracts. The license provides the partner with the right to use the Corporation’s intellectual property. Previously, the licensing fees were recorded as deferred revenue and amortized as income over the life of the contracts. Under IFRS 15, revenue will be recognized when control transfers to the licensee and the license period begins. Milestone income is recognized at the point in time when it is highly probable that the milestone event criteria is met, and the risk of reversal of revenue recognition is remote.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	January 1, 2016 As originally presented (thousands of US\$)	IFRS 15 (thousands of US\$)	January 1, 2016 Restated (thousands of US\$)
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities			
Current portion of deferred revenue and customer deposits	21,461	(16,966)	4,495
	26,116	(16,966)	9,150
Total liabilities	32,033	(16,966)	15,067
Shareholders’ equity			
Deficit	(145,230)	16,966	(128,264)
Total shareholders’ equity	(2,459)	16,966	14,507
Total liabilities & shareholders’ equity	\$ 29,574	\$ -	\$ 29,574

	December 31, 2016 As originally presented (thousands of US\$)	IFRS 15 (thousands of US\$)	December 31, 2016 Restated (thousands of US\$)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of deferred revenue	1,006	(1,006)	-
Total current liabilities	8,467	(1,006)	7,461
Deferred revenue	6,198	(6,198)	-
Total liabilities	17,515	(7,204)	10,311
Shareholders' equity			
Accumulated other comprehensive loss	(15,931)	(129)	(16,060)
Deficit	(134,111)	7,333	(126,778)
Total shareholders' equity	12,201	7,204	19,405
Total liabilities & shareholders' equity	\$ 29,716	\$ -	\$ 29,716

	December 31, 2017 As originally presented (thousands of US\$)	IFRS 15 (thousands of US\$)	December 31, 2018 Restated (thousands of US\$)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of deferred revenue	1,206	(1,206)	-
Total current liabilities	5,416	(1,206)	4,210
Deferred revenue	6,567	(6,567)	-
Total liabilities	16,338	(7,773)	8,565
Shareholders' equity			
Accumulated other comprehensive loss	(14,091)	349	(13,742)
Deficit	(142,825)	7,424	(135,401)
Total shareholders' equity	5,916	7,773	-
Total liabilities & shareholders' equity	\$ 22,254	\$ -	\$ 22,524

	December 31, 2016 As originally presented (thousands of US\$)	IFRS 15 (thousands of US\$)	December 31, 2016 Restated (thousands of US\$)
REVENUE			
Licensing and other fees	17,473	(9,323)	8,150
Total revenue	24,486	(9,323)	15,163
Gross margin	20,033	(9,323)	10,710
INCOME/(LOSS) BEFORE INCOME TAXES	11,419	(9,323)	2,096

NET INCOME/(LOSS)	\$	11,119	\$	(9,323)	\$	1,796
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OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX

Items that may be reclassified subsequently to profit or loss:

Foreign currency translation adjustment	1,267	(439)	828			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$	12,386	\$	(9,762)	\$	2,624

	December 31, 2017 As originally presented (thousands of US\$)	IFRS 15 (thousands of US\$)	December 31, 2017 Restated (thousands of US\$)			
REVENUE						
Licensing and other fees	1,096	91	1,187			
Total revenue	6,444	91	6,535			
Gross margin	3,181	91	3,272			
LOSS BEFORE INCOME TAXES	(8,667)	91	(8,576)			
NET LOSS	\$	(8,714)	\$	91	\$	(8,623)
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation adjustment	1,840	478	2,318			
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$	(6,874)	\$	569	\$	(6,305)

The Corporation's updated accounting policies, effective January 1, 2018, with the adoption of IFRS 9 *Financial Instruments* and IFRS 15 are as follows:

Revenue

Revenue from the sale of goods, which is recorded as "Product revenue" in the consolidated statement of income/(loss), is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer. The amount of revenue to be recognized is based on the consideration the Corporation expects to receive in exchange for its goods and services. If the contract contains more than one performance obligation, the consideration is allocated based on standalone selling price of each performance obligation.

Consideration the Corporation receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. The most common elements of variable considerations are: (a) Discounts granted to customers are provisioned and recorded as a deduction from revenue at the time the related revenue are recorded or when the incentives are offered. They are calculated on the basis of historical experience and the specific terms in the individual agreements; and (b) Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of the Corporation agreeing to customer returns and the Corporation can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. The provisions are applied to the amounts invoiced, taking into consideration the number of returned products to be destroyed versus products that can be placed back in inventory for resale.

Provisions for revenue deductions are adjusted to actual amounts as discounts and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgement when estimating the effect of these sales deductions.

License and other revenue mainly consists of upfront payments and milestone payments received from license and supply agreements. License and supply agreements may contain multiple elements. The individual elements of each agreement are divided into separate units of accounting if certain criteria are met. The applicable revenue recognition approach is then applied to each unit. Otherwise, the applicable revenue recognition criteria are applied to combined elements as a single unit of accounting.

Upfront payments are considerations received for the right to use the Corporation's intellectual property. Revenues from upfront payments in license and supply agreements are recognized when control transfers to the licensee and the license period begins. Milestone income is recognized at the point in time when it is highly probable that the respective milestone event criteria is met, and the risk of reversal of revenue recognition is remote.

USE OF PROCEEDS

The net proceeds to the Corporation from the Offering are estimated to be approximately \$4,947,509 (or \$5,749,636 if the Over-Allotment Option is exercised in full), after deducting the Underwriter's Fee and the estimated expenses of the Offering. The Corporation intends to use the net proceeds of the Offering (i) to pay approximately US\$1,750,000 to Mattern in connection with its agreement with Mattern pursuant to the Buyout, (ii) unless a waiver to the contrary is obtained by the Corporation, to pay the US dollar equivalent of approximately \$2,473,755 toward a portion of the US\$2,357,140 due under the Endo Note payable to an affiliate of Endo, and (iii) for general corporate purposes, including working capital to support ongoing and new commercial and research and development activities, as well as to fund negative cash flows from operating activities.

The table below highlights the Corporation's forecasted cash commitments for the next 6 and 12 months. In addition to the items listed below, the Corporation expects to incur on average a net operation cash burn of US\$500,000 to \$US600,000 per month.

	Less than 6 months (000's of USD)	Less than 1 year (000's of USD)
Mattern Buyout	4,250	-
Endo principal payment	2,357	-
Quantius principal payment	92	461
Interest	318	251
Operating leases	89	89

Subsequent to this Offering, the Corporation expects to have limited working capital on hand and the Corporation expects to be able to continue to fund its currently planned programs and operations until December 31, 2018. The Corporation is currently working to secure additional sources of capital, including debt, and expects to raise additional capital in the next six (6) months. There is no guarantee that the Corporation will be able to secure additional sources of capital. Should the Corporation be unsuccessful or delayed in raising additional capital, it may have to implement cash conservation initiatives, which may include, but are not limited to, reductions in (i) non-essential research and development and product development expenses, (ii) non-essential marketing expenses, (iii) non-essential services and (iv) payments to third parties to the extent possible under various contractual obligations. Such cash conservation initiatives (a) would extend the Corporation's cash runway until approximately June 2019 and (b) may have an adverse effect on the ability of the Corporation to generate revenues as it currently forecasts.

The Corporation had negative cash flow from operating activities in its most recent quarter ended March 31, 2018. The Corporation's cash and cash equivalents as at March 31, 2018 was approximately US\$2,548,000 and its working capital as at March 31, 2018 was approximately negative US\$370,000. The Corporation had a net loss of approximately US\$4,454,000 and a net comprehensive loss of approximately US\$4,364,000 for the three months ended March 31, 2018. If the Corporation is able to obtain a waiver from Endo, it intends to use approximately \$2,619,834 (\$3,421,961 if the Over-Allotment Option is exercised in full) from the proceeds of the Offering towards general corporate purposes, including working capital to support ongoing and new commercial and research and development activities, as well as to fund negative cash flows from operating activities. To the extent that the

Corporation has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities. See “Risk Factors — Limited Operating History and Sales”, “Risk Factors — Ability to Meet Future Capital Requirements” and “Risk Factors — Going Concern Risk”, all in the 2017 AIF.

If all of the Warrants sold in this Offering came to be exercised in cash, the Corporation would receive additional net proceeds of approximately \$7,666,680 (excluding Warrants sold pursuant to the Over-Allotment Option). The Corporation cannot predict when or if these Warrants will be exercised. It is possible that the Warrants may expire and may never be exercised.

If the Over-Allotment Option is exercised in full, any additional net proceeds will be used (i) unless a waiver to the contrary is obtained by the Corporation, to pay the US dollar equivalent of approximately \$401,064 toward a portion of the remaining amount due under the Endo Note and (ii) for general corporate purposes, including working capital to support ongoing and new commercial and research and development activities, as well as to fund negative cash flows from operating activities.

While the Corporation intends to use the net proceeds of the Offering as stated above, management has broad discretion over the use of the net proceeds of the Offering and, accordingly, there may be circumstances where funds may be re-allocated at the discretion of the board or management.

CONSOLIDATED CAPITALIZATION

The table below sets out the consolidated capitalization of the Corporation as at the date indicated, both on an actual basis and a pro forma basis, to give effect to (i) the Offering (assuming no exercise of the Over-Allotment Option), (ii) the additional \$2,000,000 received by the Corporation on April 20, 2018, under its secured term credit facility with Quantius Inc. and (iii) the anticipated reduction of the outstanding amount payable under the Endo Note as stated under “Use of Proceeds”. The table below should be reviewed in conjunction with the Q1 Interim Financial Statements.

Debt	As at March 31, 2018 (thousands of US\$)⁽¹⁾	As at March 31, 2018, after giving effect to the Offering, the additional credit facility⁽²⁾ and reduction of the outstanding amount payable under the Endo Note (thousands of US\$)⁽¹⁾
Quantius debt ⁽²⁾	2,327	3,898
Accrued royalty payable	34	34
Deferred financing fees at amortized cost	(165)	(165)
	2,196	3,767
Endo Note ⁽³⁾	2,357	497
Total indebtedness	4,553	4,264
Warrants (Derivative financial instruments)	260	260
Equity		
Share capital	151,772	154,169
Warrants	-	1,323
Contributed surplus	11,207	11,207
Accumulated other comprehensive loss	(13,652)	(13,652)
Deficit	(139,855)	(139,855)

Notes:

- (1) The gross proceeds from the Offering have been segregated into their Common Share and Warrant components based on their relative fair values and are shown net of the estimated cash transaction costs of US\$402,033 and US\$201,306, respectively. Included under Warrants are the value of the Broker Options of US\$122,450. The Common Shares and Warrants were valued using indicative market prices as of June 20, 2018 and other valuation techniques. The proceeds from the Offering were translated into U.S. dollars using an exchange rate of US\$1 = \$1.3301 Canadian dollars, being the Bank of Canada rate on June 20, 2018.
- (2) On April 20, 2018, the Corporation received an additional \$2,000,000 under its secured term credit facility with Quantius Inc. The proceeds from the financing were translated into U.S. dollars using an exchange rate of US\$1 = \$1.2728 Canadian dollars. This additional \$2,000,000 represented the second tranche of the \$5,000,000 secured term credit facility entered into on December 6, 2017 with Quantius Inc.
- (3) Pursuant to the transition agreement between the Corporation and Endo, the parties entered into an agreement addressing the customer deposit (pre-paid inventory) owed to Endo following the termination of the Natesto[®] agreement. A US\$0.5 million cash payment was paid to Endo on July 5, 2016 and for the remaining US\$3.8 million, the Endo Note was issued, of which US\$0.5 million was paid in December 2016 and the remaining amounts are payable in equal quarterly installments of US\$0.2 million until the maturity date of June 30, 2020. On March 15, 2018, the Endo Note was amended such that principal repayments under the Endo Note would now be made annually on the last business day of the month of December of each year instead of quarterly. Payments of interest will continue to be made quarterly. The Endo Note is unsecured and bears interest at a rate of LIBOR + 9.5% per annum with a LIBOR floor rate of 1%. As at March 31, 2018 there was approximately US\$2.4 million outstanding on the Endo Note, of which US\$0.9 million is payable within a year. Unless a waiver to the contrary is obtained by the Corporation under the Endo Note, the Corporation must, within five business days of the Closing, prepay the Endo Note in an amount equal to 50% of the net proceeds raised pursuant to the Offering.

DIVIDEND POLICY

The declaration and payment of dividends on the Common Shares is at the discretion of the Corporation's board of directors. It is the board of directors' present policy to retain its earnings to finance growth, fund future development projects and expand its operations. As such, it does not anticipate paying any dividends in the foreseeable future.

Any declaration and payment of dividends by the Corporation will be dependent upon the Corporation's consolidated results, financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the directors on the board of directors as relevant at the time.

The Corporation has not paid any dividends on the Common Shares since the Corporation's qualifying transaction to the date hereof.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares. As at June 20, 2018, the Corporation had 213,193,642 Common Shares issued and outstanding, 3,034,814 warrants outstanding which are exercisable for 3,034,814 Common Shares and 16,378,959 outstanding stock options with a weighted average exercise price of \$0.17.

Each Common Share entitles the holder thereof to receive notice of and exercise one vote at all meetings of shareholders. The holders of Common Shares are entitled to such dividends as the Corporation's board of directors may declare from time to time, which dividends are payable in money or property or by issuing fully paid Common Shares or options or rights to acquire fully paid Common Shares.

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of Common Shares are entitled to share equally the remaining property and assets of the Corporation.

There are no pre-emptive, redemption, purchase or conversion rights attached to Common Shares.

PLAN OF DISTRIBUTION

Under an underwriting agreement dated June 12, 2018 between the Corporation and the Underwriter (the “**Underwriting Agreement**”), the Corporation has agreed to sell and the Underwriter has agreed to purchase on Closing, subject to the terms and conditions contained therein, all but not less than all of the 19,166,700 Units at a price of \$0.30 per Unit payable in cash to the Corporation against delivery of such Units. The Offering Price was determined by arm’s length negotiations between the Corporation and the Underwriter. The Underwriting Agreement provides that the Underwriter will be paid the Underwriter’s Fee equal to 7% of the gross proceeds of the Offering (including in respect of the Over-Allotment Option). The aggregate Underwriter’s Fee payable to the Underwriter by the Corporation under the Offering is expected to be approximately \$402,501 (assuming the Over-Allotment Option is not exercised). The obligations of the Underwriter under the Underwriting Agreement may be terminated, at the Underwriter’s discretion, upon the occurrence of certain stated events prior to the Closing or the closing of the Over-Allotment Option, as applicable, including, but not limited to: (i) if any order, action or proceeding which ceases trades, suspends or otherwise operates to prevent, prohibit or restrict the distribution or trading of the Common Shares or any other securities of the Corporation is made or proceedings are announced, commenced or threatened for the making of any such order, action or proceeding by a securities regulatory authority, (ii) if there shall be any material change or change in any material fact or a new material fact shall arise which has or would be expected to have, in the opinion of the Underwriter, acting reasonably and in good faith, a material adverse effect on the business, affairs or financial condition of the Corporation or its subsidiaries, taken as a whole, or on the market price or value or marketability of the securities of the Corporation, (iii) if any inquiry, action, suit, investigation or other proceeding, whether formal or informal (including matters of regulatory transgression or unlawful conduct), is commenced, announced or threatened or any order made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the TSX or any securities regulatory authority or any law or regulation is enacted or changed which would cease trading in the Common Shares or the Corporation’s securities or, in the opinion of the Underwriter, acting reasonably and in good faith, operates to prevent or restrict materially the trading or distribution of the Common Shares or other securities of the Corporation or materially adversely affects or will materially adversely affect the market price or value or marketability of the securities of the Corporation, (iv) if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence (including terrorism or accident) or any new law or regulation is enacted (including a change in any existing law or regulation), which in the opinion of the Underwriter, acting reasonably and in good faith, seriously adversely affects, or involves, or will, or could reasonably be expected to, seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation and its subsidiaries, taken as a whole or (v) if the Corporation is in breach of any material term, condition or covenant of the Underwriting Agreement or any representation or warranty given by the Corporation in the Underwriting Agreement becomes or is false in any material respect and cannot be cured. The Underwriter is, however, obligated to take up and pay for all of the Units if any of such Units are purchased under the Underwriting Agreement.

The TSX has conditionally approved the listing of the following on the TSX: (i) the Unit Shares comprising part of the Units; (ii) the Warrants comprising part of the Units; (iii) the Warrant Shares issuable upon exercise of the Warrants; (iv) the Broker Shares issuable upon exercise of the Broker Options; (v) the Additional Unit Shares comprising part of the Additional Units; (vi) the Additional Warrants comprising part of the Additional Units; (vii) the Additional Warrant Shares issuable upon the exercise of the Additional Warrants; and (viii) the Additional Broker Shares issuable upon exercise of the Additional Broker Options. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before September 10, 2018.

Under the Underwriting Agreement, the Corporation has agreed to indemnify and hold harmless the Underwriter and its affiliates and each of their respective directors, officers, employees, partners and agents against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriter may be required to make in respect thereof.

The Corporation has granted to the Underwriter the Over-Allotment Option, exercisable in whole or in part, and from time to time, up to 30 days after Closing, to purchase up to 2,875,005 Additional Units at the Offering Price, solely to cover the Underwriter’s over-allocation position, if any, and for market stabilization purposes. This short form prospectus also qualifies the distribution of the Over-Allotment Option and any Additional Units,

Additional Unit Shares, Additional Warrants and the grant and issuance of the Additional Broker Options. A purchaser who acquires securities forming part of the Underwriter's over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Underwriter proposes to offer the Units initially at the Offering Price. After the Underwriter has made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price and the compensation realized by the Underwriter will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Underwriter to the Corporation.

The Underwriter has represented and agreed that it will not solicit offers to purchase or sell the Units so as to require registration thereof or filing of a prospectus with respect thereto under the laws of any jurisdiction including, without limitation, the United States, except as set forth in the Underwriting Agreement.

As additional consideration for the Underwriter's services to the Corporation in connection with the Offering, the Underwriter will receive Broker Options to purchase up to that number of Broker Shares that is equal to 7% of the number of Units issued pursuant to the Offering (including in respect of the Over-Allotment Option). The Broker Options may be exercised, in whole or in part, by the Underwriter at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing for one Broker Share at an exercise price of \$0.30 per Broker Share. This short form prospectus also qualifies the grant and the issuance of the Broker Options, as well as the grant and issuance of the Additional Broker Options pursuant to the Over-Allotment Option.

The Underwriter, as holder of the Broker Options, will not as such have any voting right or other right attached to Broker Shares until the Broker Options are duly exercised as provided for in the certificates representing the Broker Options and the Broker Shares are issued.

The Offering is being made concurrently in all provinces of Canada, except Quebec. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units within the United States. The Units (including the Underlying Securities) have not been and will not be registered under the 1933 Act or the securities laws of any state of the United States. Accordingly, the Units may not be offered, sold or delivered, directly or indirectly, in the United States except in accordance with the Underwriting Agreement and pursuant to an exemption from registration under the 1933 Act and applicable U.S. state securities laws.

Pursuant to the terms of the Underwriting Agreement, the Corporation will not authorize, issue or sell, or agree to authorize, issue or sell, any equity or debt securities of the Corporation or financial instruments convertible or exchangeable into equity or debt securities of the Corporation, other than: (a) pursuant to the Offering; (b) for purposes of compensation or incentive stock options for services provided by officers, directors, employees and consultants (including, for clarity, pursuant to the Corporation's recently adopted employee share loan plan); (c) in connection with the exercise of stock options or other equity incentives currently held by a director or employee; (d) to satisfy existing instruments or agreements of the Corporation already issued as of the date of June 6, 2018; or (e) as full or partial consideration for direct or indirect arm's-length acquisitions, for a period up to 90 days after the Closing, without the prior written consent of the Underwriter.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriter may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include making short sales of the Common Shares, which involve the sale by the Underwriter of a greater number of Common Shares than it is required to purchase in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriter may not, at any time during the period of distribution, bid for or purchase the Common Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriter at any time. The Underwriter may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or otherwise.

Warrant Indenture

The Warrants will be governed by the warrant indenture (the “**Warrant Indenture**”) to be entered into on or before the Closing, between the Corporation and TSX Trust Company, as warrant agent thereunder (the “**Warrant Agent**”). Under the Warrant Indenture, each Warrant will entitle the holder thereof to acquire, subject to adjustment in accordance with the Warrant Indenture, one Warrant Share at an exercise price of \$0.40 per Warrant Share (subject to adjustment in accordance with the Warrant Indenture) at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing, after which time the Warrants will expire and be void and of no value. The Warrant Indenture will contain customary adjustment provisions designed to protect the holders of Warrants against dilution upon the occurrence of certain events.

No fractional Warrant Shares will be issued upon the exercise of any Warrants and no cash or other consideration will be paid in lieu of fractional Warrant Shares. See “Description of Securities Being Offered”.

Warrantholders will not as such have any voting right or other right attached to the Warrant Shares until the Warrants are duly exercised as provided for under the Warrant Indenture and the Warrant Shares are issued.

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.

Non-Certificated Inventory System

Subscriptions of Units will be received subject to rejection or allotment in whole or in part and the Underwriter reserves the right to close the subscription books at any time without notice. It is expected that no certificates representing the Units (or the Underlying Securities) to be sold in the Offering will be issued to purchasers under this short form prospectus and that the Offering will be conducted under the NCI system. Units (or the Underlying Securities) registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at Closing (or upon closing of the Over-Allotment Option, as applicable). A subscriber who purchases Units (or the Underlying Securities) will generally only receive a customer confirmation from the registered dealer from or through whom Units (or the Underlying Securities) are purchased and who is a CDS participant.

DESCRIPTION OF SECURITIES BEING OFFERED

The Offering consists of 19,166,700 Units. Each Unit consists of one Unit Share and one Warrant, with each Warrant entitling the holder thereof to purchase one Warrant Share at a price of \$0.40 per Warrant Share, subject to adjustment in certain circumstances, at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing. It is intended that the Unit Shares and the Warrants comprising the Units will

separate immediately upon Closing (including the Additional Unit Shares and the Additional Warrants comprising the Additional Units upon closing of the Over-Allotment Option, if applicable).

Common Shares

See “Description of Share Capital” above for a description of the terms and provisions of the Common Shares.

Unit Shares and Warrant Shares

The Unit Shares and Warrant Shares (including the Additional Unit Shares and the Additional Warrant Shares) will have all of the characteristics, rights and restrictions attaching to the Common Shares.

Warrants

The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the executed Warrant Indenture. Reference is made to the Warrant Indenture for the full text of the attributes of the Warrants which, following the Closing: (i) will be filed on SEDAR under the issuer profile of Acerus at www.sedar.com; and (ii) may be obtained on request without charge from the Corporate Secretary of Acerus at 2486 Dunwin Drive, Mississauga, Ontario, L5L 1J9 Telephone: (416) 679-0771. A register of holders of Warrants will be maintained at the principal offices of the Warrant Agent in Toronto, Ontario.

The Warrant Indenture is expected to provide that the number of Warrant Shares which may be acquired by a holder of Warrants upon the exercise thereof will be subject to anti-dilution provisions governed by the Warrant Indenture, including provisions for the appropriate adjustment of the class, number and price of the securities issuable under the Warrant Indenture upon the occurrence of certain events including:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution (other than a distribution of Common Shares upon the exercise of any outstanding warrants or options);
- (b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (c) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not less than 21 days and not more than 90 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per Common Share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, of Common Shares on such record date; and
- (e) the issuance or distribution to all or substantially all of the holders of Common Shares of (i) shares of the Company of any class other than Common Shares, (ii) rights, options or warrants to acquire Common Shares or securities exchangeable or exercisable into Common Shares, (iii) evidence of indebtedness, or (iv) cash, securities or any property or other assets.

The Warrant Indenture is expected to include provisions for the appropriate adjustment of the class, number and price of the securities issuable under the Warrant Indenture upon the occurrence of the following additional events:

- (a) the reclassification of the Common Shares or exchange or change of the Common Shares into other shares;
- (b) the consolidation, amalgamation, arrangement or merger of the Corporation with or into any other corporation or other entity (other than an amalgamation, arrangement or merger which does not result in any reclassification of the Corporation's outstanding Common Shares or an exchange or change of the Common Shares into other shares); and
- (c) the transfer of the Corporation's undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity other than to a subsidiary of the Corporation.

The Warrant Indenture is expected to provide that no adjustment in the exercise price or number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1.0% in the exercise price or a change in the number of Warrant Shares purchasable upon exercise by at least one one-hundredth (1/100th) of a Common Share, as the case may be.

The Corporation is expected to covenant in the Warrant Indenture, during the period in which the Warrants are exercisable, to give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, a prescribed number of days prior to the record date or effective date, as the case may be, of such event.

The Warrant Indenture is expected to provide that, from time to time, the Warrant Agent and the Corporation, without the consent of the holders of Warrants, may be able to amend or supplement the Warrant Indenture for certain purposes, including rectifying any ambiguities, defective provisions, clerical omissions or mistakes, or other errors contained in the Warrant Indenture or in any deed or indenture supplemental or ancillary to the Warrant Indenture, provided that, in the opinion of the Warrant Agent, relying on legal counsel, the rights of the holders of Warrants, as a group, are not prejudiced thereby.

The Warrant Indenture is expected to provide that in the event of an extraordinary transaction, as described in the Warrant Indenture and generally including any merger, arrangement or amalgamation of the Corporation with or into another entity, sale of all or substantially all of the Corporation's assets, tender offer or exchange offer, or reclassification of the Common Shares, the holders of the Warrants will generally be entitled to receive upon exercise of the Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the Warrants immediately prior to such extraordinary transaction.

The Warrant Indenture is expected to contain provisions making binding upon all holders of Warrants resolutions passed at meetings of such holders in accordance with such provisions or by instruments in writing signed by holders of Warrants holding a specified percentage of the Warrants. Any amendment or supplement to the Warrant Indenture that is prejudicial to the interests of the holders of Warrants, as a group, is expected to be subject to approval by an "Extraordinary Resolution", which is expected to be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 $\frac{2}{3}$ % of the aggregate number of Warrants represented at the meeting in person or by proxy and voted on the poll for such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 $\frac{2}{3}$ % of the number of all of the then outstanding Warrants.

The principal transfer office of the Warrant Agent in Toronto, Ontario is the location at which Warrants may be surrendered for exercise or transfer.

Under the Warrant Indenture, the Corporation may, subject to compliance with applicable securities legislation and approval by applicable regulatory authorities, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants or otherwise provided pursuant to the Warrant Indenture. The Warrants may only be exercised in a sufficient number to acquire whole numbers of Warrant Shares, and no cash or other consideration will be paid in lieu of fractional Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have. All calculations with respect to the foregoing adjustments shall be made to the nearest cent or the nearest one-hundredth of a share, as the case may be.

The Units, the Unit Shares, the Warrants and the Warrant Shares issuable upon the exercise of the Warrants have not been and will not be registered under the 1933 Act or any state securities laws of the United States. The Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. person, nor will certificates representing the Warrant Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the 1933 Act and any applicable state securities laws is available and provided that, subject to certain exceptions, the Corporation has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Corporation.

Any Additional Warrants that may be issued pursuant to the Over-Allotment Option will have all of the characteristics, rights and restrictions (including term to expiry) attaching to the Warrants.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Corporation, and Fasken Martineau DuMoulin LLP, counsel to the Underwriter, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires Units pursuant to this Offering. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary only applies to a holder who is a beneficial owner of Common Shares and Warrants acquired pursuant to this Offering and who, for the purposes of the Tax Act and at all relevant times: (i) deals at arm's length and is not affiliated with the Corporation or the Underwriter, and (ii) holds the Common Shares and Warrants as capital property (a "**Holder**").

Common Shares and Warrants will generally be considered to be capital property to a Holder unless such securities are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon: (i) the current provisions of the Tax Act and the Regulations in force as of the date hereof; (ii) all specific proposals (the "**Tax Proposals**") to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof; and (iii) counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency made publicly available prior to the date hereof. This summary assumes that all such Tax Proposals will be enacted in the form currently proposed, but no assurance can be given that they will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders are urged to consult their own tax advisors about the specific tax consequences to them of acquiring, holding and disposing of Units in their particular circumstances.

Allocation of Cost

A Holder who acquires a Unit pursuant to this Offering will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Unit Share and the Warrant comprising each Unit in order to determine their respective costs to such Holder for the purposes of the Tax Act.

For its purposes, the Corporation has advised counsel that, of the \$0.30 subscription price for each Unit, it intends to allocate \$0.20 to each Unit Share and \$0.10 to each Warrant and believes that such allocation is reasonable. The Corporation's allocation, however, is not binding on the CRA or on a Holder. The adjusted cost base to a Holder of each Unit Share comprising a part of a Unit acquired pursuant to this Offering will be determined by averaging the cost of such Unit Share with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant. When a Warrant is exercised, the cost to the Holder of the Warrant Share so acquired will be the aggregate of the adjusted cost base, for that Holder, of the Warrant and the price paid for the Warrant Share upon exercise of the Warrant. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share acquired upon the exercise of a Warrant with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the exercise of the Warrant.

Residents of Canada

This section of the summary applies to a Holder who, for the purposes of the Tax Act and at all relevant times, is, or is deemed to be, resident in Canada (a "**Resident Holder**"). This summary is not applicable to: (i) a Holder that is a "specified financial institution" within the meaning of the Tax Act; (ii) an interest in which is a "tax shelter investment" within the meaning of the Tax Act; (iii) a Holder that is a "financial institution" within the meaning of section 142.2 of the Tax Act; (iv) a Holder that reports its "Canadian tax results" within the meaning of the Tax Act in a currency other than Canadian currency; (v) a Holder that enters into or will enter into, with respect to the Common Shares and Warrants, a "derivative forward agreement" within the meaning of the Tax Act; or (vi) a Holder that is a corporation and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Common Shares or Warrants, controlled by a non-resident corporation for the purposes of section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to an investment in the Units.

A Resident Holder whose Common Shares do not otherwise qualify as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Common Shares, and any other "Canadian security" (as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years, deemed to be capital property. Resident Holders should consult their own tax advisors as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

Dividends

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividend received, or deemed to be received, on the Common Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividend will be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations. Taxable dividends received from a taxable Canadian corporation that are designated by the corporation as "eligible dividends" will be subject to an enhanced gross-up and tax credit regime in accordance with the rules in the Tax Act.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a

corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” or a “subject corporation”, each as defined in the Tax Act, will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year. This tax will generally be refunded to the corporation based on the amount of taxable dividends paid while it is a private corporation or a subject corporation for purposes of the Tax Act.

Dispositions of Common Shares and Warrants

A Resident Holder who disposes of, or is deemed for the purposes of the Tax Act to have disposed of, a Common Share or Warrant (other than on the exercise of a Warrant) will generally realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Resident Holder of the Common Share or Warrant immediately before the disposition or deemed disposition.

Generally, the expiry of an unexercised Warrant will give rise to a capital loss equal to the adjusted cost base to the Resident Holder of such Warrant.

A Resident Holder will generally be required to include in computing its income for the taxation year of disposition, one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in such year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will generally be required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in the taxation year of disposition against taxable capital gains realized in the same taxation year. Allowable capital losses in excess of taxable capital gains realized in a taxation year of disposition may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such taxation years, to the extent and under the circumstances specified in the Tax Act.

If a Resident Holder is a corporation, any capital loss realized by such Resident Holder on a disposition or deemed disposition of Common Shares may, in certain circumstances, be reduced by the amount of any dividends which have been received or which are deemed to have been received on such Common Shares (or on shares for which the Common Shares have been substituted). Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares directly or indirectly through a partnership or a trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a “Canadian controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on certain investment income, including taxable capital gains realized on the disposition of Common Shares.

Alternative Minimum Tax

In general terms, a Resident Holder who is an individual (other than certain trusts) that receives or is deemed to have received taxable dividends on the Common Shares or realizes a capital gain on the disposition or deemed disposition of Common Shares or Warrants may be liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Non-Resident Holders

This section of the summary applies to a Holder who, for the purposes of the Tax Act and at all relevant times: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold, and will not be deemed to use or hold, Common Shares or Warrants in the course of carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act) and such Holders should consult their own tax advisors.

Dividends

Dividends paid or credited, or deemed under the Tax Act to be paid or credited, by the Corporation to a Non-Resident Holder on the Common Shares will generally be subject to Canadian non-resident withholding tax at the rate of 25% of the gross amount of the dividend, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, where the Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the *Canada–United States Income Tax Convention (1980)* (the “**Convention**”) and is the beneficial owner of the dividends, the applicable rate of Canadian withholding tax is generally reduced to 15%. Not all persons who are residents of the United States will qualify for the benefits of the Convention. Non-Resident Holders who are residents of the United States are advised to consult their tax advisors in this regard.

Dispositions of Common Shares and Warrants

A Non-Resident Holder who disposes of, or is deemed to have disposed of, a Common Share or Warrant will not be subject to income tax under the Tax Act unless, at the time of disposition: (i) the Common Share or Warrant is, or is deemed to be, “taxable Canadian property” of the Non-Resident Holder; and (ii) the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, Common Shares and Warrants acquired pursuant to this Offering will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that the Common Shares are listed at that time on a designated stock exchange (which currently includes the TSX), unless (a) at any time during the 60-month period that ends at the particular time: (i) one or any combination of (x) the Non-Resident Holder, (y) persons not dealing at arm’s length with the Non-Resident Holder and (z) partnerships in which the Non-Resident Holder or a person described in (y) holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the Corporation, and (ii) more than 50% of the fair market value of the Common Shares was derived, directly or indirectly, from any combination of (A) real or immovable property situated in Canada, (B) “Canadian resource property” (as defined in the Tax Act), (C) “timber resource property” (as defined in the Tax Act), or (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not the property exists; or (b) the Common Shares or Warrants are otherwise deemed under the Tax Act to be taxable Canadian property.

In the event that a Common Share or Warrant constitutes taxable Canadian property of a Non-Resident Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax under the Tax Act pursuant to an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident, then the income tax consequences discussed above for Resident Holders under “Residents of Canada – Dispositions of Common Shares and Warrants” will generally apply to the Non-Resident Holder. Non-Resident Holders whose Common Shares or Warrants are, or may be, taxable Canadian property should consult their own tax advisors.

RISK FACTORS

An investment in the Units is subject to certain risks. Investors should carefully consider the risks described below before deciding whether to invest in the Units. Investors should also carefully consider any risks that may be

described in other filings the Corporation makes with securities regulators including, without limitation, the section entitled “Risk Factors” contained in the 2017 AIF and the Q1 2018 MD&A which are incorporated by reference in this short form prospectus. That analysis discusses, among other things, industry risks, known material trends and events, and other risks or uncertainties that are reasonably expected to have a material effect on the Corporation’s business, financial condition or results of operations. These risk factors are not the only risks facing the Corporation and additional risks and uncertainties not presently known to the Corporation may also impair its business operations. If the Corporation does not successfully address any of the risks described below or in other filings, there may be a material adverse effect on its business, financial condition or results of operations. As a result, the Corporation cannot assure an investor that it will successfully address these risks. No inference should be drawn, nor should an investor place undue importance on, the risk factors that are included in this short form prospectus as compared to those included in the documents incorporated by reference herein, as all risk factors are important and should be carefully considered by a potential investor.

Risks Related to the Offering

The Common Shares and Warrants are Subject to Market Price Volatility

The market price of the Common Shares (and the Warrants, once listed) may be adversely affected by a variety of factors relating to the Corporation’s business, including fluctuations in the Corporation’s operating and financial results, the results of any public announcements made by the Corporation and the Corporation’s failure to meet analysts’ expectations. In addition, from time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Common Shares and Warrants (once listed) for reasons unrelated to the Corporation’s performance. Additionally, the value of the Common Shares and Warrants (once listed) are subject to market value fluctuations based upon factors which influence the Corporation’s operations, such as legislative or regulatory developments, competition, technological change and the performance of equity markets and changes in interest rates. Accordingly, investors may not be able to sell their Common Shares or Warrants at or above the Offering Price.

Additional Issuance of Common Shares May Result in Dilution

The Corporation’s articles of incorporation allow it to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the board of directors of the Corporation, in many cases, without the approval of the Corporation’s shareholders. As part of this Offering, the Corporation will issue 19,166,700 Common Shares (or 22,041,705 Common Shares if the Over-Allotment Option is exercised in full). Except as described under the heading “Plan of Distribution”, the Corporation may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the exercise of stock options or other securities exercisable for Common Shares, including the Warrants. The Corporation may also issue Common Shares to finance future acquisitions. The Corporation cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its earnings per share.

Use of Proceeds

The Corporation intends to use the net proceeds from the Offering (including net proceeds received from the exercise of the Over-Allotment Option, if any) (i) to pay approximately US\$1.75 million to Mattern in connection with its agreement with Mattern pursuant to the Buyout, (ii) unless a waiver to the contrary is obtained by the Corporation, to pay a portion of the remaining amount due under the Endo Note, and (iii) for general corporate purposes, including working capital to support ongoing and new commercial and research and development activities, as described under “Use of Proceeds” in this short form prospectus. Although this allocation is based on the current expectations of the Corporation, there may be circumstances in which, at the Corporation’s discretion, a reallocation of funds may be necessary or appropriate if circumstances change or if it is believed it would be in the best interests of the Corporation. In such circumstances, there can be no assurance as to how those

funds may be reallocated. The failure by management to apply these funds effectively could adversely affect the business of the Corporation.

No certainty of completion of Offering.

The completion of the Offering is subject to the completion of definitive binding documentation and satisfaction of a number of conditions. There can be no certainty that the Offering will be completed. Failure by the Corporation to satisfy all of the conditions precedent to the Offering would result in the Offering not being completed. If the Offering is not completed, the Corporation may not be able to raise the funds required for the purposes contemplated under "Use of Proceeds" from other sources on commercially reasonable terms or at all.

No current market for Warrants.

There is no current market through which the Warrants may be sold and purchasers of Units may not be able to resell the Warrants purchased under this short form prospectus. While the Corporation has applied for the listing of the Warrants on the TSX, such listing is subject to final TSX approval which is not guaranteed, and even if listed, there is no assurance that a liquid market for the Warrants will develop. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants. A decrease in the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. To the extent that the Warrants become illiquid, an investor may have to exercise such Warrants to realize value.

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

The Warrants do not confer any rights of common share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the Warrants may exercise their right to acquire Common Shares and pay an exercise price of \$0.40 per share, subject to certain adjustments, prior to 24 months after the date such Warrants were issued, after which date any unexercised Warrants will expire and have no further value. Moreover, following this Offering, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise the Warrants.

A large number of Common Shares may be issued and subsequently sold upon the exercise of existing warrants and the Warrants. The sale or availability for sale of these and existing warrants or other securities convertible in Common Shares may depress the price of the Common Shares.

To the extent that purchasers of Warrants and existing holders of other warrants of the Corporation sell Common Shares issued upon the exercise of those warrants, the market price of the Common Shares may decrease due to the additional selling pressure in the market. The risk of dilution from issuances of Common Shares underlying existing warrants and the Warrants that may be issued pursuant hereto may cause shareholders to sell their Common Shares, which could further contribute to any decline in the Common Share market price.

Any downward pressure on the price of Common Shares caused by the sale of Common Shares issued upon the exercise of the existing warrants of the Corporation and the Warrants could encourage short sales by third parties. In a short sale, a prospective seller borrows common shares from a shareholder or broker and sells the borrowed common shares. The prospective seller anticipates that the common share price will decline, at which time the seller can purchase common shares at a lower price for delivery back to the lender. The seller profits when the common share price declines because it is purchasing common shares at a price lower than the sale price of the borrowed common shares. Such short sales of Common Shares could place downward pressure on the price of the Common Shares by increasing the number of Common Shares being sold, which could lead to a decline in the market price of the Common Shares.

TRADING PRICE AND VOLUME OF THE COMMON SHARES

The Common Shares are traded on the TSX under the symbol “ASP”. The following table shows the high and low trading price and volume traded for the Common Shares for each of the previous 12 months plus such information for the current month to the last trading day before the date of this short form prospectus.

Period	High	Low	Volume
2018			
June (June 1 to June 20)	\$0.35	\$0.28	4,258,105
May.....	\$0.38	\$0.33	4,756,230
April.....	\$0.36	\$0.27	3,485,270
March.....	\$0.28	\$0.26	3,231,250
February.....	\$0.31	\$0.26	3,517,130
January.....	\$0.37	\$0.27	8,482,950
2017			
December.....	\$0.38	\$0.27	10,418,320
November	\$0.50	\$0.12	29,057,930
October.....	\$0.14	\$0.11	3,769,010
September.....	\$0.12	\$0.10	4,286,840
August	\$0.12	\$0.10	1,904,040
July	\$0.13	\$0.11	899,170
June.....	\$0.14	\$0.11	3,449,230

On June 20, 2018, the last trading day prior to the date of this short form prospectus, the Closing price of the Common Shares on the TSX was \$0.275 per Common Share.

PRIOR SALES

The Corporation has not completed any sales of Common Shares, or securities convertible or exchangeable into Common Shares, during the 12-month period preceding the date of this short form prospectus except as described below.

Date Issued	Number of Common Shares Issued	Exercise Price Per Security	Nature of Issuance
March 22, 2018	26,666	\$0.10	Exercise of stock options
March 22, 2018	36,665	\$0.12	Exercise of stock options
March 26, 2018	6,666	\$0.10	Exercise of stock options
March 26, 2018	5,000	\$0.12	Exercise of stock options

AUDITORS, REGISTRAR AND TRANSFER AGENT

The independent auditors of the Corporation are PricewaterhouseCoopers LLP (“PWC”), Chartered Professional Accountants, PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada, L6J 0C5. PWC report that they are independent of us in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

The registrar and transfer agent of the Common Shares is TSX Trust Company at its principal office in Toronto, Ontario. TSX Trust Company will also be the Warrant Agent in respect of the Warrants.

LEGAL MATTERS

Legal matters in connection with the issue and sale of the Units will be passed upon, on behalf of the Corporation, by Stikeman Elliott LLP and, on behalf of the Underwriter, by Fasken Martineau DuMoulin LLP. The partners, associates and counsel of each of Stikeman Elliott LLP, as a group, and Fasken Martineau DuMoulin LLP, as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding securities of the Corporation or of any associate or affiliate of the Corporation.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

In an offering of warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the warrants were offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the exercise of the Warrants, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

CERTIFICATE OF THE CORPORATION

Dated: June 21, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all provinces of Canada, except Quebec.

(signed) Edward Gudaitis
Chief Executive Officer

(signed) Ken Yoon
Chief Financial Officer

On Behalf of the Board of Directors

(signed) Ian Ihnatowycz
Director

(signed) Norma Beauchamp
Director

CERTIFICATE OF THE UNDERWRITER

Dated: June 21, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all provinces of Canada, except Quebec.

MACKIE RESEARCH CAPITAL CORPORATION

(signed) David Keating
Managing Director