Condensed Interim Consolidated Financial Statements
(Unaudited)

Aeterna Zentaris Inc.

As at June 30, 2016 and for the three-month and six-month periods ended June 30, 2016 and 2015
(presented in thousands of US dollars)

Aeterna Zentaris Inc.

Condensed Interim Consolidated Financial Statements

(Unaudited)

As at June 30, 2016 and for the three-month and six-month periods ended June 30, 2016 and 2015

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Aeterna Zentaris Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of US dollars)

(Unaudited)	**June 30, 2016**	**December 31, 2015**
	$	**$**
ASSETS		
Current Assets		
Cash and cash equivalents (note 4)	**26,169**	41,450
Trade and other receivables	**641**	598
Prepaid expenses and other current assets	**730**	346
	27,540	42,394
Restricted cash equivalents	**261**	255
Property, plant and equipment	**236**	256
Other non-current assets	**825**	520
Identifiable intangible assets	**201**	237
Goodwill	**8,004**	7,836
	37,067	51,498
LIABILITIES		
Current liabilities		
Payables and accrued liabilities (note 5)	**3,674**	4,172
Provision for restructuring costs (note 6)	**90**	598
Current portion of deferred revenues	**249**	244
Current portion of warrant liability (note 7)	**1,449**	1,411
	5,462	6,425
Deferred revenues	**373**	487
Warrant liability (note 7)	**6,447**	9,480
Employee future benefits (note 8)	**15,099**	12,656
Provisions and other non-current liabilities	**635**	835
	28,016	29,883
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**204,640**	204,596
Other capital	**88,045**	87,508
Deficit	**(284,527)**	(271,621)
Accumulated other comprehensive income	**893**	1,132
	9,051	21,615
	37,067	51,498

Going concern (note 1)
Contingencies (note 16)
Subsequent event (note 17)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors

Carolyn Egbert
Chairman of the Board

Gérard Limoges
Director

Aeterna Zentaris Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the six-month periods ended June 30, 2016 and 2015
(in thousands of US dollars, except share data)

(Unaudited)	Common shares (number of) [1]	Share capital	Other capital	Deficit	Accumulated other comprehensive income (loss)	Total
		$	$	$	$	$
Balance - January 1, 2016	**9,928,697**	**204,596**	**87,508**	**(271,621)**	**1,132**	**21,615**
Net loss	—	—	—	(10,684)	—	(10,684)
Other comprehensive loss:						
Foreign currency translation adjustments	—	—	—	—	(239)	(239)
Actuarial loss on defined benefit plans (note 8)	—	—	—	(2,222)	—	(2,222)
Comprehensive loss	—	—	—	(12,906)	(239)	(13,145)
Share issuances in connection with "At-the-Market" drawdowns	11,166	44	—	—	—	44
Share-based compensation costs	—	—	537	—	—	537
Balance - June 30, 2016	**9,939,863**	**204,640**	**88,045**	**(284,527)**	**893**	**9,051**

(Unaudited)	Common shares (number of) [1]	Share capital	Pre-funded warrants	Other capital	Deficit	Accumulated other comprehensive income (loss)	Total
		$	$	$	$	$	$
Balance - January 1, 2015	**655,091**	**150,544**	**—**	**86,639**	**(222,322)**	**(377)**	**14,484**
Net loss	—	—	—	—	(24,835)	—	(24,835)
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	—	1,281	1,281
Actuarial gain on defined benefit plans	—	—	—	—	960	—	960
Comprehensive (loss) income	—	—	—	—	(23,875)	1,281	(22,594)
Share issuances in connection with a public offering	250,481	6,251	—	—	—	—	6,251
Pre-funded warrant issuances in connection with a public offering	—	—	8,653	—	—	—	8,653
Share issuances pursuant to the exercise of pre-funded warrants	346,294	8,653	(8,653)	—	—	—	—
Share issuance pursuant to the exercise of non pre-funded warrants	146,941	2,069	—	—	—	—	2,069
Share-based compensation costs	—	—	—	544	—	—	544
Balance - June 30, 2015	**1,398,807**	**167,517**	**—**	**87,183**	**(246,197)**	**904**	**9,407**

[1] Issued and paid in full.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Aeterna Zentaris Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three-month and six-month periods ended June 30, 2016 and 2015
(in thousands of US dollars, except share and per share data)

(Unaudited)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
	$	**$**	**$**	**$**
Revenues				
Sales Commission and Other	**33**	81	**214**	81
License fees	**63**	116	**124**	189
	96	197	**338**	270
Operating expenses				
Research and development costs	**3,707**	4,476	**7,364**	8,941
General and administrative expenses	**1,865**	2,001	**3,759**	5,445
Selling expenses	**1,708**	1,709	**3,390**	3,409
	7,280	8,186	**14,513**	17,795
Loss from operations	**(7,184)**	(7,989)	**(14,175)**	(17,525)
(Loss) gain due to changes in foreign currency exchange rates	**(78)**	389	**390**	(1,085)
Change in fair value of warrant liability	**190**	(7,603)	**2,995**	(6,413)
Other finance income	**64**	55	**106**	239
Net finance income (costs)	**176**	(7,159)	**3,491**	(7,259)
Net loss from continuing operations	**(7,008)**	(15,148)	**(10,684)**	(24,784)
Net income (loss) from discontinued operations	**—**	49	**—**	(51)
Net loss	**(7,008)**	(15,099)	**(10,684)**	(24,835)
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments	**230**	(494)	**(239)**	1,281
Items that will not be reclassified to profit or loss:				
Actuarial (loss) gain on defined benefit plans	**(797)**	2,261	**(2,222)**	960
Comprehensive loss	**(7,575)**	(13,332)	**(13,145)**	(22,594)
Net loss per share (basic and diluted) from continuing operations	**(0.71)**	(13.69)	**(1.08)**	(27.16)
Net income (loss) per share from discontinued operations	**—**	0.04	**—**	(0.06)
Net loss per share (basic and diluted)	**(0.71)**	(13.65)	**(1.08)**	(27.22)
Weighted average number of shares: (note 15)				
Basic	**9,936,541**	1,106,399	**9,932,641**	912,545
Diluted	**9,936,541**	1,106,399	**9,932,641**	912,545

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Aeterna Zentaris Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the three-month and six-month periods ended June 30, 2016 and 2015
(in thousands of US dollars)

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Net loss from continuing operations	**(7,008)**	(15,148)	**(10,684)**	(24,784)
Items not affecting cash and cash equivalents:				
Change in fair value of warrant liability (note 7)	**(190)**	7,603	**(2,995)**	6,413
Provision (reversal) for restructuring costs (note 6)	**—**	(45)	**(29)**	(190)
Depreciation and amortization	**49**	234	**108**	223
Share-based compensation costs	**284**	289	**537**	544
Employee future benefits (note 8)	**106**	99	**208**	199
Amortization of deferred revenues	**(63)**	(62)	**(124)**	(125)
Foreign exchange loss (gain) on items denominated in foreign currencies	**528**	(387)	**9**	830
Gain on disposal of equipment	**—**	—	**(2)**	(274)
Other non-cash items	**8**	(14)	**(26)**	89
Net gain associated with amendment of warrant agreement and derecognition of expired warrants (note 9)	**—**	—	**—**	(162)
Transaction costs allocated to warrants issued (note 9)	**—**	—	**—**	1,451
Changes in operating assets and liabilities (note 11)	**(46)**	(714)	**(2,182)**	(2,230)
Net cash provided by (used in) operating activities of discontinued operations	**—**	30	**—**	(284)
Net cash used in operating activities	**(6,332)**	(8,115)	**(15,180)**	(18,300)
Cash flows from financing activities				
Proceeds from issuances of common shares and warrants, net of cash transaction costs of $2 in 2016 and $2,560 in 2015 (note 9)	**44**	—	**44**	34,440
Payment pursuant to warrant amendment agreements (note 9)	**—**	—	**—**	(5,703)
Net cash provided by financing activities	**44**	—	**44**	28,737
Cash flows from investing activities				
Disposals of equipment	**—**	—	**2**	492
Purchase of equipment	**(39)**	(8)	**(44)**	(8)
Net cash (used in) provided by investing activities	**(39)**	(8)	**(42)**	484
Effect of exchange rate changes on cash and cash equivalents	**(485)**	322	**(103)**	(394)
Net change in cash and cash equivalents	**(6,812)**	(7,801)	**(15,281)**	10,527
Cash and cash equivalents – Beginning of period	**32,981**	53,259	**41,450**	34,931
Cash and cash equivalents – End of period	**26,169**	45,458	**26,169**	45,458

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 Nature of operations, going concern and basis of presentation

Nature of operations and going concern

Aeterna Zentaris Inc. ("Aeterna Zentaris" or the "Company") is a specialty biopharmaceutical company engaged in developing and commercializing novel treatments in oncology, endocrinology and women's health. The Company is engaged in drug development activities and in the promotion of products for others. The Company is now conducting Phase 3 studies of two internally developed compounds (Macrilen™ and Zoptrex™). The focus of our business development efforts is the acquisition or in-licensing of products that are relevant to our therapeutic areas of focus. We also intend to license out certain commercial rights of internally developed products to licensees in territories where such out-licensing would enable us to ensure development, registration and launch of our product candidates. Our goal is to become a growth-oriented specialty biopharmaceutical company by pursuing successful development and commercialization of our product portfolio and by achieving successful commercial presence and growth, while consistently delivering value to our shareholders, employees and the medical providers and patients who will benefit from our products.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Since the Company's inception, the Company's operations have been financed through the sale of shares and warrants, revenue from license agreements and commissions, interest income on funds available for investment, government grant and tax credits and other non-dilutive financing sources. For the three- and six-month periods ended June 30, 2016, the Company has not generated any meaningful revenues from operations, and the Company has incurred significant operating losses and negative cash flows from operations since inception and has an accumulated deficit of $284,527,000 as at June 30, 2016.

The ability of the Company to continue operating as a going concern is dependent upon raising additional financing through equity and non-dilutive sources of funding, including partnerships and licensing arrangements. There can be no assurance that the Company will have sufficient capital to fund its ongoing operations, develop or commercialize any products without future financings. The foregoing factors indicate the existence of a material uncertainty that may cast substantial doubt as to the Company's continued ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company is currently pursuing financing alternatives that may include equity, debt, and non-dilutive financing alternatives including co-development through potential collaborations, strategic partnerships or other transactions with third parties. There can be no assurance that additional financing will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures or the Company may be unable to continue operations. The Company's ultimate success, its ability to raise additional financing, whether through equity, debt or other sources of funding and, consequently, to continue as a going concern, is also dependent upon at least one of the two internally developed compounds obtaining positive top-line results in their currently ongoing Phase 3 studies.

These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and discharge its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2015 and December 31, 2014 and for the years ended December 31, 2015, 2014 and 2013, which have been prepared in accordance with IFRS, as issued by the IASB.

The accounting policies adopted in these unaudited condensed interim consolidated financial statements are consistent with those of the previous financial year and previous quarter.

All share, option and share purchase warrant and per share, option and share purchase warrant data have been retroactively adjusted in these unaudited condensed interim consolidated financial statements to reflect and give effect to the Company's 100:1 share consolidation (or reverse stock split) that occurred on November 17, 2015 (the "Share Consolidation") as if it had occurred at the beginning of the earliest period presented. See note 9 – Share Capital.

These unaudited condensed interim consolidated financial statements were approved by the Company's Board of Directors on August 9, 2016.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis (see above under "Nature of operations and going concern"), under the historical cost convention, except for the warrant liability, which is measured at fair value through profit or loss ("FVTPL").

2 Critical accounting estimates and judgments

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Judgments, estimates and assumptions are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's condensed interim consolidated financial statements are prepared.

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the unaudited condensed interim consolidated financial statements are presented fairly and in accordance with IFRS. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates and assumptions, as well as critical judgments used in applying accounting policies in the preparation of our condensed interim consolidated financial statements were the same as those found in note 3 to the Company's annual consolidated financial statements as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013.

3 Significant accounting policies and recent accounting pronouncements

Accounting policies used in the preparation of the Company's condensed interim consolidated financial statements as at June 30, 2016 and for the three-month and six-month periods ended June 30, 2016 and 2015 were the same as those found in note 2 to the Company's annual consolidated financial statements as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014, except for the two new policies adopted and disclosed in note 3 to the Company's unaudited condensed interim consolidated financial statements as at March 31, 2016 and for the three-month periods ended March 31, 2016 and 2015.

<u>*Not yet adopted*</u>

In January 2016, the IASB issued amendments to IAS 12, *Income taxes* to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective from January 1, 2017. The Company is currently assessing the impact, if any, which these amendments may have on the Company's consolidated financial statements.

In January 2016, the IASB issued an amendment to IAS 7, *Statement of cash flows*, introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment is effective from January 1, 2017. The Company believes that the information already provided in note 7 will be sufficient to meet this new requirement.

The final version of IFRS 9, *Financial Instruments* ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 introduces a model for classification and

measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption. In addition, an entity's own credit risk changes can be applied early in isolation without otherwise changing the accounting for financial instruments. There are amendments to IFRS 7 which require additional disclosures on transition from IAS 39 to IFRS 9. These amendments are effective upon adoption of IFRS 9. The Company is currently assessing the impact, if any, that these new standards may have on the Company's consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The objective of this new standard is to provide a single, comprehensive revenue recognition framework for all contracts with customers to improve comparability of financial statements of companies globally. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to receive in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact that this new standard may have on the Company's consolidated financial statements.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), which supersedes IAS 17, *Leases*, and the related interpretations on leases: IFRIC 4, *Determining Whether an Arrangement Contains a Lease;* Standard Interpretations Committee ("SIC") 15, *Operating Leases - Incentives;* and SIC 27, *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted for companies that also apply IFRS 15. The Company is currently assessing the impact that this new standard may have on the Company's consolidated financial statements.

4 Cash and cash equivalents

	As at June 30, 2016	As at December 31, 2015
	$	$
Cash on hand and balances with banks	**4,887**	11,233
Interest-bearing deposits with original maturities of three months or less	**21,282**	30,217
	26,169	41,450

5 Payables and accrued liabilities

	As at June 30, 2016	As at December 31, 2015
	$	$
Trade accounts payable	**1,642**	2,488
Accrued research and development costs	**883**	312
Salaries, employment taxes and benefits	**221**	256
Current portion of onerous contract provisions	**321**	334
Other accrued liabilities	**607**	782
	3,674	4,172

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

6 Restructuring

On August 7, 2014, the Company's Nominating, Governance and Compensation Committee and Board of Directors approved a global resources optimization program (the "Resource Optimization Program"), which was rolled out as part of a strategy to transition Aeterna Zentaris into a commercially operating specialty biopharmaceutical organization. As at June 30, 2016, the Resource Optimization Program was substantially complete.

On October 9, 2015, the Company's Board of Directors approved a plan to restructure the finance and accounting operations and to close the Company's Quebec City office (the "Corporate Restructuring"). The Company transferred all functions performed by the five employees in its Quebec City office to other personnel. As of June 30, 2016, management estimates that the Corporate Restructuring will be substantially completed by the end of September 2016.

The change in the Company's provision for restructuring costs during the six-month period ended June 30, 2016 can be summarized as follows:

	Resource Optimization Program	Corporate Restructuring	Total
	$	$	$
Balance – Beginning of period (current and non-current)	**75**	**557**	**632**
Utilization of provision	**(42)**	**(458)**	**(500)**
Unused provision reversed due to changes in assumptions	**—**	**(29)**	**(29)**
Impact of foreign exchange rate changes	**2**	**(15)**	**(13)**
Balance – End of period	**35**	**55**	**90**

7 Warrant liability

The change in the Company's warrant liability can be summarized as follows:

	Six months ended June 30, 2016
	$
Balance – Beginning of period (current and non-current)	**10,891**
Change in fair value of share purchase warrants	**(2,995)**
Balance – End of period	**7,896**
Less: Current Portion	**(1,449)**
	6,447

A summary of the activity related to the Company's share purchase warrants that are classified as a liability is provided below.

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
		$		**$**
Balance – Beginning of period	2,842,309	11.80	287,852	104.46 (b)
Issued (note 9)	—	—	3,076,956 (a)	6.54 (b)
Exercised	—	—	(298,088)	4.24 (b)
Expired (note 9)	—	—	(224,411)	66.90
Balance – End of period	**2,842,309**	**11.80**	**2,842,309**	**11.80**

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(a) 298,382 of which represent the Series B Warrants (see note 9 -Share Capital), which may be exercised on an alternate cashless basis, as discussed below.
(b) As adjusted (see note 9 - Share capital).

The table presented below shows the inputs and assumptions applied to the Black-Scholes option pricing model in order to determine the fair value of warrants outstanding as at June 30, 2016, with the exception of the Series B Warrants, as defined and discussed below. The Black-Scholes option pricing model uses "Level 2" inputs, as defined by IFRS 13, *Fair value measurement* ("IFRS 13").

	Number of equivalent shares	**Market-value per share price**	**Weighted average exercise price**	**Risk-free annual interest rate**	**Expected volatility**	**Expected life (years)**	**Expected dividend yield**
		($)	($)	(a)	(b)	(c)	(d)
October 2012 Investor Warrants	29,675	3.26	345.00	0.75%	149.54%	1.38	0.00%
July 2013 Warrants	25,996	3.26	185.00	0.59%	136.40%	2.08	0.00%
March 2015 Series A Warrants (e)	447,574	3.26	4.23	0.81%	111.08%	3.70	0.00%
December 2015 Warrants	2,331,000	3.26	7.10	0.93%	119.73%	4.46	0.00%

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(a) Based on United States Treasury Government Bond interest rates with a term that is consistent with the expected life of the warrants.
(b) Based on the historical volatility of the Company's stock price over the most recent period consistent with the expected life of the warrants, as well as on future expectations.
(c) Based upon time to expiry from the reporting period date.
(d) The Company has not paid dividends and it does not intend to pay dividends in the foreseeable future.
(e) For the March 2015 Series A Warrants, the inputs and assumptions applied to the Black-Scholes option pricing model have been further adjusted to take into consideration the value attributed to certain anti-dilution provisions. Specifically, the weighted average exercise price is subject to adjustment (see note 9 - Share capital).

Series B Warrants

In addition to standard cashless exercise provisions, the Series B Warrants (defined and discussed in note 9 - Share capital) are entitled to be exercised on an alternate cashless basis in accordance with their terms. Such an exercise permits the holder to obtain a number of common shares equal to: 200% of (i) the total number of common shares with respect to which the Series B Warrant is then being exercised multiplied by (ii) $81.00 divided by (iii) 85% of the quotient of (A) the sum of the per share volume weighted average price ("VWAP") of the common shares for each of the five lowest trading days during

the fifteen trading day period ending on and including the trading day immediately prior to the applicable Exercise Date, divided by (B) five, less (iv) the total number of common shares with respect to which the Series B Warrant is then being exercised.

Exercises of Series B Warrants that are performed on an alternate cashless basis result in the issuance of a substantially larger number of common shares than otherwise would be issued following a standard cash or cashless exercise of the Series B Warrants.

Management has determined that, in light of the alternate cashless exercise feature and on the basis of numerous Series B Warrants actually exercised on an alternate cashless basis since original issuance, application of the Black-Scholes option pricing model does not appropriately reflect the fair value of the Series B Warrants outstanding at a given statement of financial position date. Instead, management has determined that the application of an intrinsic valuation method is more representative of the market value of the Series B Warrants.

On November 2, 2015, the Company announced that the holders (the "Participating Holders") of substantially all of the then remaining outstanding Series B Warrants had agreed to exercise all Series B Warrants held by them, at a maximum exercise ratio of approximately 33.23 common shares per warrant in accordance with the alternate cashless exercise feature in such Series B Warrants. Following the exercise of Series B Warrants by the Participating Holders in accordance with the terms of the agreements, 8,064 Series B Warrants, expiring in September 2016, remain outstanding as at June 30, 2016, representing approximately 2.7% of the originally issued number of Series B Warrants. A total of $2,925,653 was paid to the Participating Holders pursuant to the aforementioned agreements.

As such, the Company has attributed a value to the remaining Series B Warrants via the application of the aforementioned alternate cashless exercise formula, reflecting relevant market data as at June 30, 2016, summarized as follows:

Number of Series B Warrants outstanding	8,064
Estimated potential number of equivalent shares (a)	465,358
Applicable VWAP, as calculated per above	$3.19
Market value per share price	$3.26
Estimated intrinsic value per Series B Warrant	$179.71
Estimated fair value of Series B Warrants outstanding	$1,449

(a) The number of common shares that would be issued pursuant to an alternative cashless exercise if the exercise of all of the Series B Warrants had occurred on June 30, 2016.

The intrinsic valuation model described above applies "Level 2" inputs, as defined by IFRS 13.

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

8 Employee future benefits

The change in the Company's accrued benefit obligations is summarized as follows:

	Six months ended June 30, 2016		
	Pension benefit plans	**Other benefit plans**	**Total**
	$	$	$
Balance – Beginning of period	12,375	281	**12,656**
Current service cost	47	6	**53**
Interest cost	152	3	**155**
Actuarial loss arising from change in discount rate assumption	2,222	—	**2,222**
Benefits paid	(187)	(41)	**(228)**
Impact of foreign exchange rate changes	235	6	**241**
Balance – End of period	14,844	255	**15,099**
Amounts recognized:			
In comprehensive loss	(199)	(9)	**(208)**
In other comprehensive loss	(2,457)	(6)	**(2,463)**

The calculation of the pension benefit obligation is sensitive to the discount rate assumption. As at June 30, 2016, management determined that the discount rate assumption should be adjusted from 2.4% at the end of December 2015 to 1.3% as a result of changes in the European economic environment.

9 Share capital

The Company has an unlimited number of authorized common shares (being voting and participating shares) with no par value, as well as an unlimited number of preferred, first and second ranking shares, issuable in series, with rights and privileges specific to each class, with no par value.

Share consolidation

The 655,984,512 common shares issued and outstanding immediately prior to the Share Consolidation, which became legally effective on November 17, 2015, were consolidated into 6,559,846 common shares (the "Post-Consolidation Shares"). The Post-Consolidation Shares began trading on each of the TSX and NASDAQ at the opening of markets on November 20, 2015. The number of outstanding stock options and share purchase warrants were adjusted on the same basis with proportionate adjustments being made to each stock option and share purchase warrant exercise price.

All share, option and share purchase warrant and per share, option and share purchase warrant data have been retroactively adjusted in these unaudited condensed interim consolidated financial statements to reflect and give effect to the Share Consolidation as if it occurred at the beginning of the earliest period presented.

Common shares issued in connection with "At-the-Market" ("ATM") drawdowns

On April 1, 2016, the Company entered into an ATM sales agreement (the "April 2016 ATM Program"), under which the Company is able, at its discretion and from time to time, to sell up to 3 million of its common shares through ATM issuances on the NASDAQ for aggregate gross proceeds of up to approximately $10 million. The ATM program provides that common shares are to be sold at market prices prevailing at the time of sale and, as a result, prices may vary.

Between April 1, 2016 and June 30, 2016, the Company issued a total of 11,166 common shares under the April 2016 ATM Program at an average price of approximately $4.25 per share for aggregate gross proceeds of approximately $47,300 less cash transaction costs of $1,700 and previously deferred transaction costs of $1,700. In connection with these issuances

and in accordance with their respective anti-dilution provisions, the exercise price of the March 2015 Series A and Series B warrants was adjusted to $4.23.

Public offering

March 2015 Offering

On March 11, 2015, the Company completed a public offering of 596,775 units (the "Units"), with each Unit consisting of either one common share or one pre-funded warrant to purchase one common share ("Series C Warrant"), 0.75 of a warrant to purchase one common share ("Series A Warrant") and 0.50 of a warrant to purchase one common share ("Series B Warrant"), at a purchase price of $62.00 per Unit (the "March 2015 Offering").

Total gross cash proceeds raised through the March 2015 Offering amounted to $37,000,000, less cash transaction costs of approximately $2,560,000 and previously deferred transaction costs of $7,000.

The Series A Warrants are exercisable during a five-year term at an initial exercise price of $81.00 per share, and the Series B Warrants are exercisable during an 18-month term at an initial exercise price of $81.00 per share. Both the Series A and Series B Warrants are subject to certain anti-dilution provisions and may at any time be exercised on a standard cashless basis. In addition, the Series B Warrants may be exercised on an alternate cashless basis. The exercise of Series B Warrants performed on an alternate cashless basis results in the issuance of a substantially larger number of common shares than otherwise would be issued following a standard cash or cashless exercise. See also note 7 - Warrant liability. The remaining 8,064 outstanding Series B Warrants expire in September 2016.

Between May 26, 2015 and June 30, 2016, 290,318 of the Series B Warrants were exercised on an alternate cashless basis, resulting in the issuance of 5,670,118 common shares.

The Company estimated the fair value attributable to the Series A and Series B warrants as of the date of grant by applying the Black-Scholes pricing model, to which the following additional assumptions were applied: Series A Warrants: a risk-free annual interest rate of 1.59%, an expected volatility of 95.11%, an expected life of 5 years and a dividend yield of 0.0%; Series B Warrants: a risk-free annual interest rate of 0.47%, an expected volatility of 97.34%, an expected life of 18 months and a dividend yield of 0.0%. As a result, on March 11, 2015, the total fair value of the share purchase warrants was estimated at $20,980,000.

The Series C Warrants were offered in the March 2015 Offering to investors whose purchase of Units would have resulted in them beneficially owning more than an "initial beneficial ownership limitation" of either 4.9% or 9.9% of the Company's common shares following the offering. The Series C Warrants, which were exercisable immediately upon issuance and for a period of five years at an exercise price of $62.00 per share, were fully exercised between March 23, 2015 and June 15, 2015. Total gross proceeds payable to the Company in connection with the exercise of the Series C Warrants were pre-funded by investors and therefore were included in the proceeds of the offering. No additional consideration was required to be paid to the Company upon exercise of the Series C Warrants.

Total gross proceeds of the March 2015 Offering were allocated as follows: $20,980,000 was allocated to warrant liability, $9,296,000 was allocated to pre-funded warrants, and the balance of $6,724,000 was allocated to share capital. Transaction costs were allocated to the liability and equity components in proportion to the allocation of proceeds. As such, an amount of $1,451,000 was allocated to the warrant liability and immediately recognized in general and administrative expenses in the consolidated statement of comprehensive loss, an amount of $473,000 was allocated to Share capital and an amount of $643,000 was allocated to pre-funded warrants. Upon exercise of the Series C Warrants, the net proceeds initially allocated to the pre-funded warrants were re-allocated to share capital.

In connection with the March 2015 Offering, the holders of 211,230 of the 219,000 then outstanding warrants issued by the Company in connection with public offerings completed in November 2013 and January 2014 entered into an amendment agreement that caused such previously issued warrants to expire and terminate. The Company made a cash payment in the aggregate amount of $5,703,000 out of the proceeds of the March 2015 Offering as consideration to the relevant warrantholders in exchange for the latter agreeing to the aforementioned amendment. Upon expiry of the warrants in question, the Company recognized a gain of $5,865,000 and derecognized the expired warrants. The gain on derecognition was recorded, net of the aforementioned amendment fee, within other finance income in the unaudited condensed interim

consolidated statement of comprehensive loss during the period ended March 31, 2015. For holders of the remaining 7,770 outstanding warrants issued by the Company in connection with the November 2013 and the January 2014 offerings who did not enter into a warrant amendment agreement, the exercise price of the corresponding warrants was reduced to $14.00 per share in accordance with the terms thereof.

December 2015 Offering

On December 14, 2015, the Company completed a public offering of 3,000,000 common shares at a purchase price of $5.54 per share and 2,100,000 warrants to purchase one common share at a purchase price of $0.01 per warrant (the "December 2015 Offering").

In connection with the December 2015 Offering, the Company granted the underwriter a 45-day over-allotment option to separately acquire up to an additional 330,000 common shares at the same purchase price of $5.54 per share and/or up to an additional 231,000 warrants at the same purchase price of $0.01 per warrants. The underwriter exercised its option in full with respect to the 231,000 warrants for market stabilization purposes but did not exercise any of its option in respect of common shares.

Total gross cash proceeds raised through the December 2015 Offering amounted to approximately $16,650,000, less cash transaction costs of approximately $1,638,000.

The warrants are exercisable for a period of five years at an exercise price of $7.10 per share. Upon complete exercise for cash, these warrants would result in the issuance of an aggregate of 2,331,000 common shares that would generate additional proceeds of $16,550,100. However, those warrants may at any time be exercised on a "net" or "cashless" basis.

The Company estimated the fair value attributable to the warrants as of the date of grant by applying the Black-Scholes pricing model, to which the following additional assumptions were applied: a risk-free annual interest rate of 1.68%, an expected volatility of 107.57%, an expected life of 5 years and a dividend yield of 0.0%. As a result, on December 14, 2015, the total fair value of the share purchase warrants was estimated at $7,698,000.

Total gross proceeds of the December 2015 Offering were allocated as follows: $7,698,000 was allocated to warrant liability and $8,952,000 was allocated to share capital. Transaction costs were allocated to the liability and equity components in proportion to the allocation of proceeds. As such, an amount of $757,000 was allocated to warrant liability and immediately recognized in general and administrative expenses in the consolidated statement of comprehensive loss and an amount of $881,000 was allocated to share capital.

In connection with the December 2015 Offering and in accordance with their respective anti-dilution provisions, the exercise prices of the January 2014 and March 2015 Series A and Series B warrants were adjusted to $0.00 and $4.95, respectively. The remaining January 2014 Warrants were exercised on December 30, 2015 and no longer remain outstanding.

Stock options

	Six months ended June 30, 2016		Year ended December 31, 2015	
US dollar-denominated options	**Number**	**Weighted average exercise price (US$)**	**Number**	**Weighted average exercise price (US$)**
Balance – Beginning of period	272,874	25.88	33,956	187.36
Granted	70,000	3.48	243,000	5.17
Forfeited	(6,691)	134.33	(4,082)	136.17
Canceled	(7,741)	122.94	—	—
Balance – End of period	**328,442**	**16.61**	**272,874**	**25.88**

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

	Six months ended June 30, 2016		Year ended December 31, 2015	
Canadian dollar-denominated options	**Number**	**Weighted average exercise price (CAN$)**	**Number**	**Weighted average exercise price (CAN$)**
Balance – Beginning of period	3,787	845.46	4,909	1,010.4
Forfeited	(904)	1,012.43	(271)	923.2
Canceled	(480)	717.18	—	—
Expired	—	—	(851)	1,772.17
Balance – End of period	**2,403**	**808.27**	**3,787**	**845.46**

Fair value input assumptions for US dollar-denominated options granted

The table below shows the assumptions, or weighted average parameters, applied to the Black-Scholes option pricing model to determine share-based compensation costs over the life of the awards.

		Six months ended June 30, 2016	Year ended December 31, 2015
Expected dividend yield	**(a)**	—%	—%
Expected volatility	**(b)**	109.79%	110.5%
Risk-free annual interest rate	**(c)**	1.29%	1.79%
Expected life (years)	**(d)**	5.60	5.77
Weighted average share price		$3.48	$5.65
Weighted average exercise price		$3.48	$5.17
Weighted average grant date fair value		$2.83	$4.69

(a) The Company has not paid dividends and it does not intend to pay dividends in the foreseeable future.
(b) Based on the historical volatility of the Company's stock price over the most recent period consistent with the expected life of the stock options, as well as on future expectations.
(c) Based on United States Treasury Government Bond interest rates with a term that is consistent with the expected life of the stock options.
(d) Based upon historical data related to the exercise of stock options, on post-vesting employment terminations and on future expectations related to exercise behavior.

The Black-Scholes pricing models referred above use "Level 2" inputs in calculating fair value, as defined by IFRS 13.

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

10 Compensation of key management and other employee benefit expenses

Compensation awarded to key management and other employee benefit expenses are summarized below.

	Three months ended June 30,		Six months ended June 30, 2016	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Key management personnel: (a)				
Salaries and short-term employee benefits	**533**	658	**1,132**	1,438
Share-based compensation costs	**281**	237	**534**	477
Post-employment benefits	**19**	19	**43**	44
Termination benefits	**—**	—	**—**	—
	833	914	**1,709**	1,959
Other employees:				
Salaries and short-term employee benefits	**970**	1,217	**1,881**	2,443
Share-based compensation costs	**3**	52	**3**	67
Post-employment benefits	**122**	125	**238**	258
Termination benefits	**4**	(36)	**4**	26
	1,099	1,358	**2,126**	2,794
	1,932	2,272	**3,835**	4,753

(a) Key management includes the Company's directors and members of the executive management team.

11 Supplemental disclosure of cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Changes in operating assets and liabilities:				
Trade and other receivables	**(179)**	126	**(38)**	(598)
Prepaid expenses and other current assets	**162**	249	**(380)**	(211)
Other non-current assets	**(6)**	50	**(304)**	96
Payables and accrued liabilities	**205**	(877)	**(579)**	(415)
Provision for restructuring costs (note 6)	**(53)**	(144)	**(500)**	(826)
Employee future benefits (note 8)	**(112)**	(118)	**(228)**	(250)
Provisions and other non-current liabilities	**(63)**	—	**(153)**	(26)
	(46)	(714)	**(2,182)**	(2,230)

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

12 Capital disclosures

The Company's objective in managing capital, consisting of shareholders' equity, with cash and cash equivalents and restricted cash equivalents being its primary components, is to ensure sufficient liquidity to fund R&D costs, selling expenses, general and administrative expenses and working capital requirements.

Over the past several years, the Company has raised capital via public equity offerings and drawdowns under various ATM sales programs as its primary source of liquidity, as discussed in note 9 – Share capital.

The capital management objective of the Company remains the same as that in previous periods. The policy on dividends is to retain cash to keep funds available to finance the activities required to advance the Company's product development portfolio and to pursue appropriate commercial opportunities as they may arise.

The Company is not subject to any capital requirements imposed by any regulators or by any other external source.

13 Financial instruments and financial risk management

Financial assets (liabilities) as at June 30, 2016 and December 31, 2015 are presented below.

June 30, 2016	Loans and receivables	Financial liabilities at FVTPL	Other financial liabilities	Total
	$	$	$	$
Cash and cash equivalents (note 4)	26,169	—	—	26,169
Trade and other receivables	546	—	—	546
Restricted cash equivalents	261	—	—	261
Other non-current assets	29	—	—	29
Payables and accrued liabilities (note 5)	—	—	(3,429)	(3,429)
Provision for restructuring costs (note 6)	—	—	(90)	(90)
Warrant liability (note 7)	—	(7,896)	—	(7,896)
Other non-current liabilities	—	—	(99)	(99)
	27,005	(7,896)	(3,618)	15,491

December 31, 2015	Loans and receivables	Financial liabilities at FVTPL	Other financial liabilities	Total
	$	$	$	$
Cash and cash equivalents (note 4)	41,450	—	—	41,450
Trade and other receivables	297	—	—	297
Restricted cash equivalents	255	—	—	255
Payables and accrued liabilities (note 5)	—	—	(3,837)	(3,837)
Provision for restructuring costs (note 6)	—	—	(625)	(625)
Warrant liability (note 7)	—	(10,891)	—	(10,891)
Other non-current liabilities	—	—	(98)	(98)
	42,002	(10,891)	(4,560)	26,551

Financial risk factors

The following provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk and market risk (share price risk) and how the Company manages those risks.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to the loans and receivables in the table above. The Company holds its available cash in amounts that are readily convertible to known amounts of cash and deposits its cash balances with financial institutions that have an investment grade rating of at least "A" or the equivalent. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information to ensure that it invests its cash in creditworthy and reputable financial institutions.

As at June 30, 2016, trade accounts receivable for an amount of approximately $170,000 were with four counterparties, and no trade accounts receivable were past due or impaired.

Generally, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit reviews of all of its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible.

The maximum exposure to credit risk approximates the amount recognized in the Company's condensed interim consolidated statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As indicated in note 12 – Capital disclosures, the Company manages this risk through the management of its capital structure. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions occurring outside of the ordinary course of business. The Company has adopted an investment policy in respect of the safety and preservation of its capital to ensure the Company's liquidity needs are met. The instruments are selected with regard to the expected timing of expenditures and prevailing interest rates.

The Company expects to continue to incur operating expenses and may require significant capital to fulfill its future obligations in the absence of sufficient corresponding revenues. The Company's ability to continue future operations until and beyond June 30, 2017 and to fund its activities is dependent on its ability to secure additional financings, which may be completed in a number of ways, including but not limited to licensing arrangements, partnerships, promotional arrangements, the issuance of securities, which could include using the available April 2016 ATM Program and other financing activities. Management will pursue such additional sources of financing when required, and while the Company has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available or on terms acceptable to the Company. See note 1 – Nature of operations, going concern and basis of presentation, for further details.

(c) Market risk

Share price risk

The change in fair value of the Company's warrant liability, which is measured at FVTPL, results from the periodic "mark-to-market" revaluation, via the application of the intrinsic valuation and the Black-Scholes option pricing models, of currently outstanding share purchase warrants. These valuation models are impacted, among other inputs, by the market price of the Company's common shares. As a result, the change in fair value of the warrant liability, which is reported as finance income (costs) in the accompanying condensed interim consolidated statements of

comprehensive loss, has been and may continue in future periods to be materially affected most notably by changes in the Company's common share closing price, which on the NASDAQ has ranged from \$2.67 to \$4.40 during the six-month period ended June 30, 2016.

If variations in the market price of our common shares of -10% and +10% were to occur, the impact on the Company's net loss related to the warrant liability held at June 30, 2016 would be as follows:

	Carrying amount	-10%	+10%
	$	$	$
Warrant liability, including current and non-current portion	(7,896)	738	(744)
Total impact on net loss – decrease / (increase)		738	(744)

14 Segment information

The Company operates in a single operating segment, being the biopharmaceutical segment.

15 Net loss per share

The following table sets forth pertinent data relating to the computation of basic and diluted net loss per share attributable to common shareholders.

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Net loss from continuing operations	**(7,008)**	(15,148)	**(10,684)**	(24,784)
Net loss from discontinued operations	—	49	—	(51)
Net loss	**(7,008)**	(15,099)	**(10,684)**	(24,835)
Basic weighted average number of shares outstanding	**9,936,541**	1,106,399	**9,932,641**	912,545
Dilutive effect of stock options	—	—	—	—
Dilutive effect of share purchase warrants	—	1,345,088	—	825,330
Diluted weighted average number of shares outstanding	**9,936,541**	2,451,487	**9,932,641**	1,737,875
Items excluded from the calculation of diluted net (loss) income per share because the exercise price was greater than the average market price of the common shares or due to their anti-dilutive effect				
Stock options	**330,845**	41,570	**330,845**	41,570
Warrants (number of equivalent shares)	**3,299,603**	510,688	**3,299,603**	510,688

For the three-month and six-month periods ended June 30, 2015, the diluted net loss per share was the same as the basic net loss per share, since the effect of the assumed exercise of stock options and warrants to purchase common shares is anti-dilutive. Accordingly, the diluted net loss per share for these periods was calculated using the basic weighted average number of shares outstanding.

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

16 Contingencies

In the normal course of operations, the Company may become involved in various claims and legal proceedings related, for example, to contract terminations and employee-related and other matters. No contingent liabilities have been accrued as at the end of the periods presented in the accompanying unaudited condensed interim consolidated financial statements.

Class Action Lawsuit

The Company and certain of its current and former officers are defendants in a putative class-action lawsuit brought on behalf of shareholders of the Company. The pending lawsuit is the result of the consolidation of several lawsuits, the first of which was filed on November 11, 2014. The plaintiffs filed their amended consolidated complaint on April 10, 2015. The amended complaint alleged violations of the Securities Exchange Act of 1934 in connection with allegedly false and misleading statements made by the defendants between August 30, 2011 and November 6, 2014 (the "Class Period"), regarding the safety and efficacy of Macrilen™ and the prospects for the approval of the Company's new drug application for the product by the FDA. The plaintiffs seek to represent a class comprised of purchasers of the Company's common shares during the Class Period and seek unspecified damages, costs and expenses and such other relief as determined by the Court.

On September 14, 2015, the Court dismissed the lawsuit, but granted the plaintiffs leave to amend. In dismissing the lawsuit, the Court affirmed that the plaintiffs had failed to state a claim. On October 14, 2015, the plaintiffs filed a second amended complaint. The Company subsequently filed a motion to dismiss the second amended complaint. The hearing of the motion to dismiss the Second Amended Complaint occurred on January 19, 2016. On March 2, 2016, the Court issued an order granting the Company's motion to dismiss the complaint in part and denying it in part. The Court dismissed certain of the Company's current and former officers from the lawsuit. The Court allowed the claim that the Company omitted material facts from its public statements during the Class Period to proceed against the Company and its former CEO who departed in 2013, while dismissing such claims against other current and former officers. The Court also allowed a claim for "controlling person" liability to proceed against certain current and former officers.

The Company filed a motion for reconsideration of the Court’s March 2, 2016 order on March 16, 2016 and filed an answer to the second amended complaint on April 6, 2016. On June 30, 2016, the Court issued an order denying the Company's motion for reconsideration. As a result, the lawsuit will proceed to the discovery and class certification phase. The Court has set a discovery conference for August 15, 2016, after which time discovery can begin.

The Company's directors' and officers' insurance policies ("D&O Insurance") provide for reimbursement of certain costs and expenses incurred in connection with the defense of this lawsuit, including legal and professional fees, as well as other loss (damages, settlements, and judgments), if any, subject to certain policy exclusions, restrictions, limits, deductibles and other terms. The Company believes that the D&O Insurance applies to the purported lawsuit; however, the insurers have issued standard reservations of rights letters reserving all rights under the D&O Insurance. Legal and professional fees are expensed as incurred, and no reserve is established for them. During the quarter ended June 30, 2016, we exceeded the deductible amount applicable to this claim. Therefore, the Company believes that the insurers will bear most of the costs for the Company's defense in future periods, subject to the Company's policy limits.

While the Company believes that it has meritorious defenses and intends to defend this lawsuit vigorously, management cannot currently predict the outcome of this suit or reasonably estimate any potential loss that may result from this suit. Accordingly, the Company has not recorded any liability related to the lawsuit. No assurance can be given with respect to the ultimate outcome of such proceedings, and the Company could incur substantial unreimbursed legal fees, damages, settlements, judgments, and other expenses in connection with these proceedings that may not qualify for coverage under, or may exceed the limits of, its applicable D&O Insurance and could have a material adverse impact on the Company's financial condition, results of operations, liquidity and cash flows.

(tabular amounts in thousands of US dollars, except share/option/warrant and per share/option/warrant data and as otherwise noted)

17 Subsequent event

Zoptrex™ License Agreements

On July 1, 2016, the Company, through one of its subsidiaries, entered into an exclusive license agreement with Cyntec Co., Ltd. ("Cyntec"), an affiliate of Orient EuroPharma Co., Ltd. ("OEP") for Zoptrex™ for the initial indication of endometrial cancer. Under the terms of the License Agreement, the Company was paid a non-refundable upfront cash payment in consideration for the license to Cyntec of the Company's intellectual property related to Zoptrex™ and the grant to Cyntec of the right to commercialize Zoptrex™ in a territory consisting of Taiwan and nine countries in southeast Asia (the "OEP Territory"). Cyntec has also agreed to make additional payments to the Company upon achieving certain pre-established regulatory and commercial milestones. Furthermore, the Company will receive royalties based on future net sales of Zoptrex™ in the OEP Territory. Cyntec will be responsible for the development, registration, reimbursement and commercialization of the product in the OEP Territory. The Company entered into related Technology Transfer and Supply Agreements with another affiliate of OEP, pursuant to which the Company will transfer to such affiliate the technology necessary to permit the affiliate to manufacture finished Zoptrex™ using quantities of the active pharmaceutical agreement purchased from the Company pursuant to the Supply Agreement.

On July 31, 2016, the Company, through one of its subsidiaries, entered into an exclusive license agreement with Rafa Laboratories Ltd ("Rafa") for Zoptrex™ for the initial indication of endometrial cancer. Under the terms of the license agreement, the Company was paid a non-refundable upfront cash payment in consideration for the license to Rafa of the Company's intellectual property related to Zoptrex™ and the grant to Rafa of the right to commercialize Zoptrex™ in a territory consisting of Israel and the Palestinian territories (the "Rafa Territory"). Rafa has also agreed to make additional payments to the Company upon achieving certain pre-established regulatory and commercial milestones. Furthermore, the Company will receive royalties based on future net sales of Zoptrex™ in the Rafa Territory. Rafa will be responsible for the development, registration, reimbursement and commercialization of the product in the Rafa Territory. The Company entered into a related Supply Agreement with Rafa pursuant to which the Company will sell finished Zoptrex™ to Rafa.