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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November 2022

Commission File Number: **001-38064**

Aeterna Zentaris Inc.

(Translation of registrant's name into English)

c/o Norton Rose Fulbright Canada, LLP, 222 Bay Street, Suite 3000, PO Box 53, Toronto ON M5K 1E7
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):



Exhibits 99.1 and 99.2, included with this report on Form 6-K are hereby incorporated by reference into the Registrant's Registration Statements on Forms S-8 (No. 333-224737, No. 333-210561 and No. 333-200834), Forms F-3 (No.333-232935 and No. 333-254680) and Forms F-1 (No.333-239264, No. 333-248561 and No. 333-239019) and shall be deemed to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

DOCUMENTS INDEX

Exhibit	Description
99.1	Aeterna Zentaris' Condensed Interim Consolidated Financial Statements – Third Quarter 2022 (Q3)
99.2	Aeterna Zentaris' Management's Discussion and Analysis of Financial Condition and Results of Operations – Third Quarter 2022 (Q3)
99.3	Certification of the Chief Executive Officer pursuant to National Instrument 52-109
99.4	Certification of the Principal Financial Officer pursuant to National Instrument 52-109



SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AETERNA ZENTARIS INC.

Date: November 2, 2022

By: */s/ Klaus Paulini*

Klaus Paulini

President and Chief Executive Officer



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE- AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2022 AND 2021
(In thousands of US dollars)
(Unaudited)**

Condensed Interim Consolidated Statements of Financial Position	2
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	3
Condensed Interim Consolidated Statements of Comprehensive Loss	4
Condensed Interim Consolidated Statements of Cash Flows	5
Notes to Condensed Interim Consolidated Financial Statements	6



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of US dollars)
(Unaudited)

	September 30, 2022	December 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	53,816	65,300
Trade and other receivables (note 4)	777	1,314
Inventory	238	73
Income taxes receivable	1,305	2,361
Prepaid expenses and other current assets (note 5)	2,474	1,772
Total current assets	58,610	70,820
Restricted cash equivalents	300	335
Right of use assets	85	150
Property, plant and equipment	40	42
Identifiable intangible assets	537	625
Goodwill	7,034	8,130
Total Assets	66,606	80,102
LIABILITIES		
Current liabilities		
Payables and accrued liabilities (note 6)	2,287	2,672
Current portion of provisions	25	34
Income taxes payable	99	115
Current portion of deferred revenues (note 3)	3,484	4,815
Current portion of lease liabilities	73	130
Total current liabilities	5,968	7,766
Deferred revenues (note 3)	1,462	1,493
Deferred gain	85	98
Lease liabilities	16	31
Employee future benefits (note 7)	9,458	17,485
Provisions	199	243
Total liabilities	17,188	27,116
SHAREHOLDERS' EQUITY		
Share capital (note 8)	293,410	293,410
Warrants (note 8)	5,085	5,085
Other capital (note 8)	90,291	89,788
Deficit	(338,664)	(334,619)
Accumulated other comprehensive loss ("AOCI")	(704)	(678)
Total shareholders' equity	49,418	52,986
Total liabilities and shareholders' equity	66,606	80,102

Commitments (note 12)

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

Approved by the Board of Directors

/s/ Carolyn Egbert

Carolyn Egbert
Chair of the Board

/s/ Dennis Turpin

Dennis Turpin
Director



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of US dollars, except share data)
(Unaudited)

	Common shares (number of)	Share capital	Warrants	Other capital	Deficit	Accumulated other comprehensive income (loss)	Total
Balance - January 1, 2022	4,855,876	293,410	5,085	89,788	(334,619)	(678)	52,986
Net loss	—	—	—	—	(10,276)	—	(10,276)
Other comprehensive loss:							
Foreign currency translation adjustments	—	—	—	—	—	(26)	(26)
Actuarial gain on defined benefit plans and Remeasurement of the net defined benefit liability (note 7)	—	—	—	—	6,231	—	6,231
Comprehensive loss	—	—	—	—	(4,045)	(26)	(4,071)
Share-based compensation costs	—	—	—	503	—	—	503
Balance – September 30, 2022	4,855,876	293,410	5,085	90,291	(338,664)	(704)	49,418

	Common shares (number of)	Share capital	Warrants	Other capital	Deficit	Accumulated other comprehensive income (loss)	Total
		\$	\$	\$	\$	\$	\$
Balance - January 1, 2021	2,507,145	235,008	12,402	89,505	(322,659)	(1,045)	13,211
Net loss (as restated note 1)	—	—	—	—	(5,474)	—	(5,474)
Other comprehensive loss:							
Foreign currency translation adjustments	—	—	—	—	—	460	460
Actuarial gain on defined benefit plans	—	—	—	—	133	—	133
Comprehensive loss	—	—	—	—	(5,341)	460	(4,881)
Issuance of common shares, net of transaction costs	943,448	29,081	1,897	—	—	—	30,978
Exercise of warrants	1,400,447	29,770	(9,728)	—	—	—	20,042
Transfer of warrant issuance costs upon 2021 exercise of warrants (note 8)	—	(532)	532	—	—	—	—
Exercise of deferred share units (note 8)	840	20	—	(28)	—	—	(8)
Share-based compensation costs	—	—	—	292	—	—	292
Balance – September 30, 2021	4,851,880	293,347	5,103	89,769	(328,000)	(585)	59,634

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



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(In thousands of US dollars, except share and per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021 <small>(As restated- Note 1)</small>	2022	2021 <small>(As restated- Note 1)</small>
	\$	\$	\$	\$
Revenues (note 3)				
License fees	605	293	831	1,309
Development Services	1,202	684	2,091	2,809
Product sales	—	—	57	—
Royalties	14	20	57	47
Supply chain	39	55	119	139
Total revenues	1,860	1,052	3,155	4,304
Operating expenses				
Cost of sales	14	31	106	72
Research and development expenses	3,293	1,485	8,081	4,711
General and administrative expenses	2,057	1,228	5,396	4,137
Selling expenses	217	360	822	924
Total operating expenses	5,581	3,104	14,405	9,844
Loss from operations	(3,721)	(2,052)	(11,250)	(5,540)
Gain (loss) due to changes in foreign currency exchange rates	301	124	977	(42)
Other finance costs	—	(4)	(3)	(21)
Net finance income (costs)	301	120	974	(63)
Loss before income taxes	(3,420)	(1,932)	(10,276)	(5,603)
Income tax recovery	—	—	—	129
Net loss	(3,420)	(1,932)	(10,276)	(5,474)
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments	(105)	39	(26)	460
Items that will not be reclassified to profit or loss:				
Actuarial gain (loss) on defined benefit plans and rereasurement of the net defined benefit liability (note 7)	(1,794)	219	6,231	133
Comprehensive loss	(5,319)	(1,674)	(4,071)	(4,881)
Net loss per share [basic and diluted]	(0.70)	(0.40)	(2.12)	(1.21)
Weighted average number of shares outstanding (note 11):				
Basic	4,855,876	4,851,880	4,855,876	4,509,731
Diluted	4,855,876	4,851,880	4,855,876	4,509,731

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



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(In thousands of US dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
		(As restated- Note 1)		(As restated- Note 1)
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss for the period	(3,420)	(1,932)	(10,276)	(5,474)
Items not affecting cash and cash equivalents:				
Provision	7	19	12	39
Depreciation and amortization	33	33	104	105
Share-based compensation costs	443	19	503	292
Employee future benefits (note 7)	69	50	266	149
Amortization of deferred revenues	(1,248)	(527)	(1,952)	(1,601)
Foreign exchange on items denominated in foreign currencies	—	(45)	—	82
Gain on disposal of property, plant and equipment	—	—	—	(1)
Interest accretion on lease liabilities	3	2	3	5
Refund (payment) of income taxes	—	(426)	830	(2,067)
Other asset	—	(25)	—	(107)
Changes in operating assets and liabilities (note 9)	168	1,344	254	2,410
Net cash used in operating activities	(3,945)	(1,488)	(10,256)	(6,168)
Cash flows from financing activities				
Issuance of common shares (note 8)	—	—	—	34,200
Transaction costs (note 8)	—	—	—	(3,221)
Proceeds from exercise of warrants (note 8)	—	—	—	20,042
Payments on lease liabilities	(33)	(31)	(101)	(95)
Net cash provided by (used in) financing activities	(33)	(31)	(101)	50,926
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	—	—	—	1
Purchase of intangible assets	—	—	—	(490)
Purchase of property and equipment	(9)	(5)	(57)	(25)
Change in restricted cash equivalents	4	(20)	4	(20)
Net cash used in investing activities	(5)	(25)	(53)	(534)
Effect of exchange rate changes on cash and cash equivalents	(358)	(322)	(1,074)	(493)
Net change in cash and cash equivalents	(4,341)	(1,866)	(11,484)	43,731
Cash and cash equivalents – Beginning of period	58,157	69,868	65,300	24,271
Cash and cash equivalents – End of period	53,816	68,002	53,816	68,002

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



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

1. Business overview

Summary of business

Aeterna Zentaris (the “Company” or “Aeterna”) is a specialty biopharmaceutical company commercializing and developing therapeutics and diagnostic tests. The Company’s lead product, Macrilen™ (macimorelin), is the first and only U.S. Food and Drug Administration (“FDA”) and European Medicines Agency-approved oral test indicated for the diagnosis of patients with adult growth hormone deficiency (“AGHD”). Macrilen™ is currently marketed in the US through a license agreement (the “Novo Amendment”) between the Company and Novo Nordisk Health Care AG (“Novo”) and in the United Kingdom and Europe through a license agreement with Consilient Healthcare Inc (“Consilient” or “CH”) under the trade name of Ghryvelin®. The Company is also dedicated to the development of therapeutic assets and has recently taken steps to establish a pre-clinical pipeline to potentially address unmet medical needs across several indications with a focus on rare or orphan indications and with the potential for pediatric use.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors (the “Board”) on November 2, 2022.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) 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 and for the year ended December 31, 2021. The accounting policies used in these condensed interim consolidated financial statements are consistent with those presented in the Company’s annual consolidated financial statements, with the addition of the Company’s policy with respect to the government assistance which is as follows:

Government assistance

Amounts received or receivable resulting from government assistance programs, including grants and refundable investment tax credits for research and development, are accounted for in accordance with *IAS 20 - Accounting for government grants and disclosure of government assistance* and are recognized where there is reasonable assurance that the amount of government assistance will be received, and all attached conditions will be complied with. When the amount relates to an expense item such as research and development costs, it is recognized as income on a systematic basis as a reduction to the costs that it is intended to compensate. When the grant relates to an asset, it reduces the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

COVID-19 & Russia and Ukraine conflict

The rise in COVID-19 variants has caused delays in site initiation and patient enrollment in our DETECT-trial and may be impacting sales activities for Macrilen™ in the US. Further, the continuation of the COVID-19 pandemic and the Russia/Ukraine conflict may also cause some patients to be unwilling to enroll in our trials or be unable to comply with clinical trial protocols if such events impede patient movement or interrupt healthcare services, both of which would delay our ability to conduct clinical trials or release clinical trial results on a timely basis and could delay our ability to obtain regulatory approval and commercialize our product candidates. For the period ended September 30, 2022, the Company assessed the impact of the uncertainties around the COVID-19 pandemic and the Russia/Ukraine conflict on its judgments, estimates, accounting policies and amounts recognized in these unaudited condensed interim consolidated financial statements and determined that no adjustments were required to the carrying value of assets and liabilities. During the quarter ended June 30, 2022, management determined that the recruitment for the DETECT-trial and the remaining development services under the Novo Amendment may now continue until later into 2023 compared to the end of the 2022 year as anticipated at the end of the previous fiscal year. It is expected that the delays associated with COVID-19 and the Russia/Ukraine conflict will result in additional costs to the program. As such, this change in estimate resulted in reversal of revenue in both the license fees and development services for the quarter ended June 30, 2022. During the quarter ended September 30, 2022, Novo provided the Company with a notice of termination of the Novo Amendment. Refer to note 3 for further details on the Novo Amendment. The Company will continue to monitor the impact of the development of the COVID-19 pandemic and Russia/Ukraine conflict in further reporting periods. Actual results could differ from these estimates, and such differences may be material.

Restatement of comparative period figures

At the end of the prior fiscal year 2021, the Company restated its previously reported condensed consolidated interim financial statements for the three-month period ended March 31, 2021 and the three-month and six-month periods ended June 30, 2021 and three-month and nine-month periods ended September 30, 2021 with respect to the recognition of revenue for the Novo Amendment, signed in November 2020. During the fourth quarter of 2021, management reassessed the classification of the development activities associated with the DETECT-trial and concluded that subsequent to the Novo Amendment, the parties no longer shared joint control of these activities and, as such, these development activities no longer met the definition of a joint operation, as defined in *IFRS 11 - Joint Arrangements*. Therefore, pursuant to the guidance in *IFRS 15 - Revenue from Contracts with Customers*, the Company reclassified the charges to Novo, from research and development expenses to development services revenue, in the related periods. In addition, the license fees related to the pediatric indication were adjusted to reflect the revised pattern of recognition as the performance obligation for the development services has now been combined with the pediatric license. In addition, the accounting for prepaid expenses and other assets and deferred revenues related the DETECT-trial expenses incurred was restated. The condensed interim consolidated financial statements were not adjusted and refiled at the time of discovery of the error, rather the comparatives are being corrected now with the filing of the interim financials for the period ended September 30, 2022. The impacts of the September 30, 2021 restatements are as follows (amounts in thousands, except for basic and diluted loss per share):

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021**
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)

	<u>Previously reported</u> \$	<u>Effect of restatement</u> \$	<u>Amended</u> \$
Consolidated interim statement of loss and comprehensive loss for the three-month period ended September 30, 2021			
License fees	527	(234)	293
Development service revenues	—	684	684
Research and development expenses	801	684	1,485
Net loss	(1,698)	(234)	(1,932)
Total comprehensive loss	(1,440)	(234)	(1,674)
Basic and diluted loss per share	(0.35)	(0.05)	(0.40)
Consolidated interim statement of loss and comprehensive loss for the nine-month period ended September 30, 2021			
License fees	1,601	(292)	1,309
Development service revenues	—	2,809	2,809
Research and development expenses	1,902	2,809	4,711
Net loss	(5,182)	(292)	(5,474)
Total comprehensive loss	(4,589)	(292)	(4,881)
Basic and diluted loss per share	(1.07)	(0.06)	(1.21)
Consolidated interim statement of financial position as of September 30, 2021			
Prepaid expenses and other current assets	3,431	600	4,031
Current portion of deferred revenues	2,075	943	3,018
Deficit	(327,708)	(292)	(328,000)

2. Critical accounting estimates and judgements

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 condensed interim consolidated financial statements are presented fairly and in accordance with IFRS applicable to interim financial statements. Critical accounting estimates and assumptions, as well as critical judgments used in applying accounting policies in the preparation of the Company's condensed interim consolidated financial statements, were the same as those applied to the Company's annual consolidated financial statements as at and for the years ended December 31, 2021 and December 31, 2020.



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

3. License and supply arrangements

Novo Nordisk Health Care AG

On November 16, 2020, the Company, through AEZS Germany, entered into the Novo Amendment of its existing License Agreement with Novo related to the development and commercialization of macimorelin. The Company earns product sales, royalties and supply chain revenue, in addition to license fees and development service revenue from conducting the DETECT-trial, from Novo.

On August 26, 2022, Novo provided the Company with a notice of termination of the Novo Amendment. Under the terms of the Novo Amendment, the termination is effective May 23, 2023 upon the completion of a 270 day notice period (“notice period”). Upon termination, the rights and licenses granted by the Company to Novo under the Novo Amendment are returned to the Company, and the Company has full rights to continue the clinical development and future commercialization of Macrilen™. Following the notice of termination and throughout the 270 day notice period, Novo will continue to fund all DETECT-trial costs up to \$8.6 million (€9 million), and any additional DETECT-trial costs incurred over \$8.6 million (€9 million) up to \$9.2 million (€9.8 million) will be shared equally between Novo and Aeterna.

The Company concluded that the notice of termination represents a contract modification for accounting purposes. The Company further concluded that upon receipt of the notice of termination, the remaining goods and services to be performed during the notice period are considered distinct goods and services and therefore, the contract modification is to be accounted for prospectively. As of the date of receipt of the notice of termination from Novo, the Company had recognized total license fees associated with the Pediatric Indication of \$1,615 (€1,880) and total development services revenue of \$3,865 (€4,448). Subsequent to the receipt of the notice of termination, management estimated the combined transaction price of the remaining services to be performed as \$7,937 (€7,776), comprised of Pediatric Indication license fees of \$2,872 (€2,814) and development services revenue of \$5,065 (€4,962). Revenue associated with this combined performance obligation will be recognized as pediatric development services are incurred during the notice period, until the date of termination on May 23, 2023, using the cost-to-cost method. As such, all amounts in deferred revenue are classified as current as at September 30, 2022 to reflect the revised timing. Management will continue to reevaluate the transaction price at the end of each reporting period.

MegaPharm Ltd

In June 2020, the Company entered into an exclusive distribution and quality agreement with MegaPharm Ltd. (“MegaPharm”) for the commercialization in Israel and in the Palestinian Authority of macimorelin to be used in the diagnosis of patients with adult growth hormone deficiency and in clinical development for the diagnosis of pediatric growth hormone deficiency (the “MegaPharm Agreement”). As of September 30, 2022, there have been no products supplied under this agreement.



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

Consilient Healthcare

On December 7, 2020, the Company entered into an exclusive licensing agreement with “CH” for the commercialization of macimorelin in the European Economic Area and the United Kingdom (the “CH License Agreement”). The Company earns license fees and product sale revenue from CH.

NK Meditech Limited

The Company and NK Meditech Limited (“NK”) entered into a licensing agreement, effective November 30, 2021 and pursuant to which the Company granted to NK the exclusive right to commercialize (including marketing, selling and offering to sell) macimorelin in the Republic of Korea (the “ROK”) and as applicable, in the Democratic People’s Republic of Korea (“DPRK”) to the extent NK is allowed to use the aforementioned licensed rights in the latter (“NK License Agreement”). As of September 30, 2022, there have been no products supplied under this agreement.

The following table provides a summary of deferred revenue balances:

	September 30, 2022		
	Current	Non-Current	Total
	\$	\$	\$
Novo Amendment	3,466	—	3,466
CH License Agreement	18	1,345	1,363
NK License Agreement	—	117	117
Total	3,484	1,462	4,946

	December 31, 2021		
	Current	Non-Current	Total
	\$	\$	\$
Novo Amendment	4,791	23	4,814
CH License Agreement	24	1,334	1,358
NK License Agreement	—	136	136
Total	4,815	1,493	6,308



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021**
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)

4. Trade and other receivables

	September 30, 2022	December 31, 2021
	\$	\$
Trade accounts receivable (net of expected credit losses of \$55 (December 31, 2021 – \$55))	383	877
Value-added tax	162	372
Grant receivable	201	—
Other	31	65
	<u>777</u>	<u>1,314</u>

In March 2022, the Company was awarded a monetary subsidy with respect to two pre-clinical programs—namely, the Company’s development of an oral vaccine against infections with SARS-CoV-2 and the development of a product candidate for the treatment of neuromyelitis optica. The subsidy was awarded pursuant to the provisions of the German Act on Tax Incentives for Research and Development, which provides direct reimbursement of certain qualifying R&D expenditures to eligible entities. The CoV-2 grant is related to R&D expenditures incurred in 2021 and during 2022. The Neuromyelitis Optica grant is related to expenditures incurred in 2021 and during 2022.

5. Prepaid expenses and other current assets

	September 30, 2022	December 31, 2021
	\$	\$
Prepaid insurance	839	421
Prepaid research and development	1,561	1,329
Other	74	22
	<u>2,474</u>	<u>1,772</u>

6. Payables and accrued liabilities

	September 30, 2022	December 31, 2021
	\$	\$
Trade accounts payable	720	934
Salaries, employment taxes and benefits	89	531
Accrued research and development costs	855	596
Other accrued liabilities	623	611
	<u>2,287</u>	<u>2,672</u>

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021**
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)

7. Employee future benefits

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

	Nine months ended September 30, 2022			Year ended December 31, 2021
	Pension benefit plans	Other benefit plans	Total	Total
	\$	\$	\$	\$
Change in plan liabilities				
Balances – Beginning of the period	29,313	99	29,412	15,435
Current service cost	48	8	56	65
Interest cost	209	1	210	88
Employee contributions	10	—	10	—
Actuarial gain arising from changes in financial assumptions	(8,528)	—	(8,528)	(1,130)
Past service cost associated with multi-employer plan	—	—	—	16,137
Actuarial loss arising from change in current assumptions on funding of future pension increases	—	—	—	556
Benefits paid	(513)	(1)	(514)	(511)
Impact of foreign exchange rate changes	(3,032)	(14)	(3,046)	(1,228)
Balances – End of the period	<u>17,507</u>	<u>93</u>	<u>17,600</u>	<u>29,412</u>
Change in plan assets				
Balances – Beginning of the period	11,927	—	11,927	—
Presentation of plan assets as of December 31, 2021	—	—	—	11,963
Remeasurement of plan assets	(2,297)	—	(2,297)	—
Employer contributions	40	—	40	—
Employee contributions	10	—	10	—
Benefits paid	(182)	—	(182)	—
Impact of foreign exchange rate changes	(1,356)	—	(1,356)	(36)
Balances – End of the period	<u>8,142</u>	<u>—</u>	<u>8,142</u>	<u>11,927</u>
Net liability of the unfunded plans	8,170	93	8,263	12,749
Net liability of the funded plans	1,195	—	1,195	4,736
Net amount recognized as Employee future benefits	<u>9,365</u>	<u>93</u>	<u>9,458</u>	<u>17,485</u>
Amounts recognized:				
In net loss	257	9	266	(153)
In other comprehensive (gain) loss	(7,907)	(14)	(7,921)	(2,408)



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

The calculation of the pension benefit obligation is sensitive to the discount rate assumption and other assumptions such as the rate of the pension benefit increase. Discount rates were 1.1% at December 31, 2021, 3.25% at June 30, 2022 and 3.70% at September 30, 2022 and the pension benefits increase rates were 0.50% at December 31, 2021 and June 30, 2022 and 1.0% at September 30, 2022 causing the variances in the actuarial (gain) loss on defined benefit plan during the quarter and the nine-months ended September 30, 2022.

8. Share capital, warrants and other 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.

On July 15, 2022, the Company's shareholders and board of directors approved an amendment to the Company's articles of amendment to effect a 1-for-25 reverse stock split of the Company's common shares, DSU and Warrants. The Company's outstanding stock options were also adjusted to reflect the 1-for-25 reverse stock split of the Company's common shares. Accordingly, all common shares, DSU and Warrants, stock options and per share amounts in these condensed interim consolidated financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock split. Outstanding stock options were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased. The reverse stock split was effected in the markets on July 21, 2022.

2021

On February 19, 2021, the Company completed an underwritten public offering of 820,390 common shares at \$36.25 per common share, resulting in aggregate gross proceeds of \$29,739, before deducting underwriting discounts, commissions and offering expenses of \$2,837 (the "February 2021 Financing"). The Company also granted the underwriter and placement agent (the "Underwriter"), a 30-day over-allotment option to purchase up to 123,058 additional common shares at a price of \$36.25 per common share (the "Underwriter Option"). Additionally, the Company issued warrants underlying 57,427 common shares to the Underwriter, with each warrant bearing an exercise price of \$45.31 (the "February 2021 Placement Agent Warrants"). The February 2021 Placement Agent Warrants expire on February 17, 2026.

On February 22, 2021, the underwriter exercised the Underwriter Option in full and received 123,058 common shares in exchange for gross proceeds to the Company of \$4,461. Upon exercise of the Underwriter Option, the Underwriter also an additional 8,614 February 2021 Placement Agent Warrants.

Aggregate gross proceeds received in connection with the February 2021 Financing totaled \$34,200, less cash transaction costs of \$3,221 and non-cash transaction costs, which represent the issue-date fair value of the February 2021 Placement Agent Warrants, of \$1,897.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

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 these Placement agent warrants:

	<u>Number of equivalent shares</u>	<u>Market value per share price</u> (\$)	<u>Weighted average exercise price</u> (\$)	<u>Risk- free annual interest rate</u> (i)	<u>Expected volatility</u> (ii)	<u>Expected life (years)</u> (iii)	<u>Expected dividend yield</u> (iv)
February 2021 Placement agent warrants – public offering	57,427	37	45.31	0.59%	119.18%	4.99	0%
February 2021 Placement agent warrants – Underwriter Option	8,614	37	45.31	0.59%	119.57%	4.98	0%

- (i) During the nine-month period ended September 30, 2021, warrants were exercised as follows:
- (ii) Based on United States Treasury Government Bond interest rates with a term that is consistent with the expected life of the warrants.
- (iii) Based on the historical volatility of the Company’s stock price over the most recent period consistent with the expected life of the warrants.
- (iv) Based upon time to expiry from the issuance date.

During the nine-month period ended September 30, 2021, warrants were exercised as follows:

	<u>Warrants exercised (number of underlying common shares)</u>	<u>Exercise Price</u>	<u>Aggregate proceeds to the Company</u>
September 2019 Investor warrants	80,000	\$ 41.25	\$ 3,300
February 2020 Investor warrants	69,565	30.00	2,087
July 2020 Investor warrants	841,822	11.25	9,471
July 2020 Placement Agent warrants	74,667	14.06	1,050
August 2020 Investor warrants	303,595	11.75	3,567
August 2020 Placement Agent warrants	34,798	17.60	612
	<u>1,404,447</u>		<u>\$ 20,087</u>

Other capital

	<u>Nine months ended September 30, 2022</u>		
	<u>Stock options (Number)</u>	<u>Weighted average exercise price (\$)</u>	<u>DSUs (Number)</u>
Balance – January 1, 2022	43,455	22.00	16,920
Granted	2,000	8.88	80,000
Expired	—	—	—
Exercised	—	—	—
Balance – September 30, 2022	<u>45,455</u>	<u>21.42</u>	<u>96,920</u>



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021**
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)

	Year ended December 31, 2021		
	Stock options (Number)	Weighted average exercise price (\$)	DSUs (Number)
Balance – January 1, 2021	20,256	36	6,920
Granted	23,200	10.5	11,200
Expired	(1)	14,756.25	—
Exercised	—	—	(1,200)
Balance – December 31, 2021	43,455	22	16,920

The DSU compensation expense for the three months ended September 30, 2022 was \$402 (2021 - \$nil) and the nine months ended September 30, 2022 was \$402 (2021 – \$244) recognized over the vesting period. Vested DSUs cannot be redeemed until the holder is no longer a member of the Board.

Fair value input assumptions for US dollar stock option grants

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

		Nine Months Ended September 30, 2022	Year Ended December 31, 2021
		Expected dividend yield	(a)
Expected volatility	(b)	115.75%	115.80%
Risk-free annual interest rate	(c)	1.59%	1.23%
Expected life (years)	(d)	5.72	5.71
Weighted average share price		\$ 8.88	\$ 10.50
Weighted average exercise price		\$ 8.88	\$ 10.50
Weighted average grant date fair value		\$ 7.47	\$ 8.82

- (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.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021**
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)

9. Supplemental disclosure of cash flow information

	Three months ended		Nine months ended	
	September 30, 2022		September 30, 2022	
	2022	2021	2022	2021
	\$	\$	\$	\$
Changes in operating assets and liabilities:				
Trade and other receivables	205	563	425	666
Inventory	41	—	(165)	(39)
Prepaid expenses and other current assets	(481)	233	(1,240)	548
Payables and accrued liabilities	(133)	298	(14)	(17)
Taxes payable	210	—	210	(129)
Deferred revenues	595	318	1,425	1,606
Employee future benefits	(269)	(68)	(387)	(225)
	168	1,344	254	2,410

10. Segment information

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

11. 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		Nine months ended	
	September 30,		September 20,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net loss	(3,420)	(1,932)	(10,276)	(5,474)
Basic weighted average number of shares outstanding	4,855,876	4,851,880	4,855,876	4,509,731
Net loss income per share (basic)	(0.70)	(0.40)	(2.12)	(1.21)
Dilutive effect of stock options and DSUs	—	—	—	—
Dilutive effect of warrants	—	—	—	—
Diluted weighted average number of shares outstanding	4,855,876	4,851,880	4,855,876	4,509,731
Net loss per share (diluted)	(0.70)	0.40	(2.12)	(1.21)

Items excluded from the calculation of diluted net loss 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 and DSUs	142,375	37,176	142,375	37,176
Warrants	457,649	461,649	457,649	461,649

Net loss per share is calculated by dividing net loss by the weighted average number of shares outstanding during the relevant period. Diluted weighted average number of shares reflects the dilutive effect of equity instruments,

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2022 AND 2021
(amounts in thousands of US dollars, except share and per share data and as otherwise noted)
(Unaudited)**

such as any “in the money” stock options, DSUs and warrants. In periods with reported net losses, all stock options and warrants are deemed anti-dilutive such that basic net loss per share and diluted net loss per share are equal, and thus “in the money” stock options and warrants have not been included in the computation of net loss per share because to do so would be anti-dilutive.

12. Commitments

	<u>Service and manufacturing</u>	<u>R&D contracts</u>	<u>TOTAL</u>
	\$	\$	\$
Less than 1 year	7,006	1,870	8,876
1 - 3 years	2,089	629	2,718
4 - 5 years	46	—	46
More than 5 years	—	—	—
Total	9,141	2,499	11,640

The Company executed various agreements including in-licensing and similar arrangements with development partners. Such agreements may require the Company to make payments on achievement of stages of development, launch or revenue milestones, although the Company generally has the right to terminate these agreements at no penalty.

Based on the closing exchange rates at September 30, 2022, the Company expects to pay \$8,527 including \$6,394 (€6.5 million), and \$1,283 (£1.2 million) and \$850 USD, in R&D milestone payments and up to \$37,438, including \$27,043 (€27.6 million); \$1,395 (£1.3 million) and \$9,000 USD, in revenue related milestone payments. The table below contains all potential R&D and revenue-related milestone payments that the Company may be required to make under such agreements:

	<u>Future potential R&D milestone payments</u>	<u>Future potential revenue milestone payments</u>	<u>TOTAL</u>
	\$	\$	\$
Less than 1 year	24	—	24
1 - 3 years	198	—	198
4 - 5 years	1,243	—	1,243
More than 5 years	7,062	37,438	44,500
Total	8,527	37,438	45,965

The future payments that are disclosed represent contract payments and are not discounted and are not risk-adjusted. The development of any pharmaceutical product candidates is a complex and risky process that may fail at any stage in the development process due to a number of factors. The timing of the payments is based on the Company’s current best estimate of achievement of the relevant milestone.