UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from_____ to _____

Commission file number: 001-35776

ACASTI PHARMA INC.

(Exact name of registrant as specified in its charter)

Québec, Canada	**98-1359336**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

3009 boul. de la Concorde East, Suite 102, Laval, Québec, Canada H7E 2B5
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 450-687-2262

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Shares, no par value per share	**NASDAQ Stock Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, based on the closing sale price of the registrant's common shares on the last business day of its most recently completed second fiscal quarter, as reported on the NASDAQ Stock Market, was approximately $19,373,829.

The number of outstanding common shares of the registrant, no par value per share, as of June 22, 2021, was 208,375,549.

ACASTI PHARMA INC.

FORM 10-K

For the Fiscal Year Ended March 31, 2021

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains information that may be forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of U.S. federal securities laws, both of which we refer to in this annual report as forward-looking information. Forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking information in this annual report includes, among other things, information or statements about:

- our strategy, future operations, prospects and the plans of our management with a goal to enhance shareholder value, including our proposed merger with Grace Therapeutics Inc. ("Grace");
- the outcome of our formal review process to explore and evaluate strategic alternatives to enhance shareholder value;
- our ability to establish collaborations or obtain additional funding;
- our intellectual property position and duration of our patent rights;
- the potential adverse effects that the COVID-19 pandemic may have on our business and operations;
- our need for additional financing, and our estimates regarding our future financing and capital requirements;
- our expectation regarding our financial performance, including our costs and expenses, liquidity and capital resources; and
- our projected capital requirements to fund our anticipated expenses.

Although the forward-looking information in this annual report is based upon what we believe are reasonable assumptions, you should not place undue reliance on that forward-

looking information since actual results may vary materially from it. Important assumptions made by us when making forward-looking statements include, among other things, assumptions by us that:

- we are able to complete our proposed merger with Grace;
- we are able to obtain the additional capital and financing we require when we need it;
- we are able to attract and retain key management and skilled personnel;
- third parties provide their services to us on a timely and effective basis;
- we are able to take advantage of new business opportunities in the pharmaceutical industry;
- we are able to secure and defend our intellectual property rights, and to avoid infringing upon the intellectual property rights of third parties;
- we face no lawsuits or other proceedings or any such matters, if they arise, are satisfactorily resolved;
- there are no material adverse changes in relevant laws or regulations; and
- we are able to continue as a going concern;

In addition, the forward-looking information in this annual report is subject to a number of known and unknown risks, uncertainties and other factors, including those described in this annual report under the heading "Item 1A. Risk Factors", many of which are beyond our control, that could cause our actual results and developments to differ materially from those that are disclosed in or implied by the forward-looking information, including, among others:

- our proposed merger with Grace is subject to various closing conditions and if the proposed merger does not close we may never identify a suitable alternative opportunity to enhance shareholder value through our strategic review process;
- if we do not successfully consummate our proposed merger with Grace or an alternative strategic transaction, our board of directors may decide to pursue a dissolution and liquidation of our company;
- we are substantially dependent on our remaining employees to facilitate the consummation of our proposed merger with Grace or another alternative strategic transaction;
- we may not realize any additional value in a strategic transaction for our intellectual property;
- our business and operations may be materially and adversely affected by the COVID-19 pandemic;
- we may be subject to foreign exchange rate fluctuations;
- it is difficult and costly to protect our intellectual property rights;
- we may face infringement of third party intellectual property and other proprietary rights; and
- general changes in economic and capital market conditions could adversely affect us

All of the forward-looking information in this annual report is qualified by this cautionary statement. There can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the consequences or effects on our business, financial condition or results of operations that we anticipate. As a result, you should not place undue reliance on the forward-looking information. Except as required by applicable law, we do not undertake to update or amend any forward-looking information, whether as a result of new information, future events or otherwise. All forward-looking information is made as of the date of this annual report.

We express all amounts in this annual report in U.S. dollars, except where otherwise indicated. References to "$" and "US$" are to U.S. dollars and references to "C$" or "CAD$" are to Canadian dollars.

Except as otherwise indicated, references in this annual report to "Acasti," "the Corporation," "we," "us" and "our" refer to Acasti Pharma Inc. and its consolidated subsidiaries.

PART I

Item 1. Business

Overview

We are a biopharmaceutical innovator that has historically focused on the research, development and commercialization of cardiometabolic prescription drugs using omega-3, or OM3 fatty acids delivered both as free fatty acids and bound-to-phospholipid esters, derived from krill oil. OM3 fatty acids have extensive clinical evidence of safety and efficacy in lowering triglycerides in patients with hypertriglyceridemia, or HTG. Our lead product candidate was CaPre, an OM3 phospholipid therapeutic. As a result of disappointing results from our two TRILOGY phase 3 trials, we publicly disclosed that our board had commenced a formal process to explore and evaluate a range of strategic alternatives to enhance shareholder value, and that it had engaged Oppenheimer & Co. as its financial advisor to assist in that process. Since that announcement, we continue to maintain an active pharmaceutical development business, including retaining key research and development, finance and administrative personnel. We have completed a pooled analysis of the TRILOGY data and we have prepared a manuscript for publication, which has been submitted to a major journal. We continue to manage ongoing regulatory filing obligations with the Federal Drug Administration, or the FDA, and, evaluate potential strategic partnerships for the continued clinical development of CaPre. We also continue to maintain and further develop valuable CaPre assets including additional patent filings and ongoing prosecutions, and maintenance of our commercial manufacturing equipment. Since September 2020, we increased our available cash by approximately $54.4 million through financing activities, which has served to strengthen Acasti's balance sheet while providing additional flexibility and leverage while we worked through our strategic evaluation process and advancement of a potential

commercial partnership for CaPre. On May 7, 2021, we announced our intent to acquire Grace through an acquisition. Grace is a New Jersey-based life sciences company focused on novel and innovative drug delivery technologies designed to improve clinical outcomes in rare and orphan disease treatments. Grace's scientific and product development efforts are focused in cardiovascular, central nervous system and gastrointestinal disorders.

Recent Developments

TRILOGY 1 & 2 Topline Results

Our two Phase 3 clinical trials, designated as TRILOGY 1 & 2 randomized a total of 242 and 278 patients respectively, and were designed to evaluate the efficacy, safety and tolerability of CaPre in patients with severe hypertriglyceridemia. The top-line results were announced on January 13, 2020, and August 31, 2020 respectively, and neither TRILOGY 1 nor TRILOGY 2 met their primary endpoint for lowering triglycerides at 12 weeks. CaPre was well tolerated in TRILOGY, with a safety profile similar to placebo, and consistent with our previously conducted Phase 2 and 3 studies. Given the outcome of the TRILOGY studies we will not file a New Drug Application (NDA) with the U.S. Food and Drug Administration (FDA) for patients with severe hypertriglyceridemia, and we do not plan to conduct additional clinical trials for CaPre. Instead, we plan to continue to advance discussions with third parties who are interested in pursuing clinical development and regulatory approval for CaPre.

Engaged Oppenheimer & Co. Inc. to Assist in Strategic Review

On September 29, 2020, we announced that we had commenced a formal process to explore and evaluate strategic alternatives to enhance shareholder value. Towards this end, we engaged Oppenheimer & Co., Inc. as our financial advisor to assist in the process. We have devoted significant time and resources to identifying and evaluating strategic alternatives, which led to the announced pending transaction with Grace. However, there can be no assurance that our proposed merger with Grace will close, or of the timing of any such outcome. We have also devoted significant time and resources to identify and evaluate potential strategic partnerships for CaPre; however, there can be no assurance that such activities will result in any agreements or transactions that will enhance shareholder value. We do not intend to make any further disclosures regarding the strategic process for CaPre unless and until a specific course of action is approved by our board of directors.

Definitive Agreement to Acquire Grace Therapeutics, Inc

On May 7, 2021, we announced a definitive agreement to acquire Grace. Subject to the completion of the Proposed Transaction, we will acquire Grace's pipeline of drug candidates addressing critical unmet medical needs for the treatment of rare and orphan diseases. The Proposed Transaction has been approved by the boards of directors of both companies and is supported by a majority of Grace stockholders through voting and lock-up agreements with Acasti. The transaction remains subject to approval of our shareholders, as well as applicable stock exchanges.

In connection with the Proposed Transaction, we will acquire Grace's entire therapeutic pipeline consisting of three unique clinical stage and multiple pre-clinical stage assets supported by an intellectual property portfolio consisting of more than 40 granted and pending patents in various jurisdictions worldwide. Grace's product candidates aim to improve clinical outcomes by applying proprietary formulation and drug delivery technologies to existing pharmaceutical compounds to achieve improvements over the current standard of care, or to provide treatment for diseases with no currently approved therapy. Grace's three lead programs have all received Orphan Drug Designation from the FDA, which could provide up to seven years of marketing exclusivity in the United States upon the FDA's approval of the NDA, provided that certain conditions are met.

Management and Operations

Subject to shareholder approval of the Proposed Transaction, the combined companies will be led by Jan D'Alvise as President and Chief Executive Officer ("CEO") and will continue to maintain our corporate headquarters in Laval, Quebec, Canada. It is expected that all Grace employees will transition to Acasti and they will continue to maintain an R&D laboratory and commercial presence in North Brunswick, New Jersey. The new board of directors of the combined company will be composed of 4 representatives from Acasti and 3 representatives from Grace.

About the Proposed Transaction

Pending approval by our shareholders as well as applicable stock exchange approvals, Grace will merge with a new wholly owned subsidiary of Acasti. Grace stockholders will receive newly issued Acasti common shares pursuant to an equity exchange ratio formula set forth in the merger agreement. Under the terms of the definitive agreement, immediately following the consummation of the Proposed Transaction, Acasti's shareholders on a pro forma basis would own approximately 55% of the combined company's common shares, and Grace's stockholders would own approximately 45% of the combined company's common shares, in each case calculated on a fully-diluted basis, subject to upward adjustments in favor of Acasti shareholders based on each company's capitalization and net cash balance as set forth in the merger agreement. For illustrative purposes, assuming no adjustments for each company's capitalization and net cash balance and based on 208,375,549 Acasti common shares currently issued and outstanding, an aggregate of up to 170,489,086 Acasti common would be issued to Grace stockholders as consideration for the Proposed Transaction.

In connection with the entering into the merger agreement, all significant stockholders of Grace have entered into voting and lock-up agreements with Acasti pursuant to which they have agreed, amongst other things to (i) vote their shares of Grace in favor of the Proposed Transaction, (ii) be subject to lock-up provisions for a period of 12 months (subject to certain exceptions), and (iii) support the election of board nominees specified in the voting and lock-up agreements through to the 2023 annual general meeting of shareholders.

The Proposed Transaction is expected to close in calendar the third quarter of 2021, immediately following approval by the Acasti shareholders, subject to any applicable U.S. Securities and Exchange Commission ("SEC") review and stock exchange approvals, as well as satisfaction of other closing conditions by each company specified in the definitive agreement.

Oppenheimer & Co. is acting as the Acasti's financial advisor for the Proposed Transaction and Osler, Hoskin & Harcourt, LLP is serving as its legal counsel. William Blair & Company, LLC is serving as financial advisor to Grace, with Reed Smith, LLP serving as its legal counsel.

The Proposed Transaction is an arm's length transaction in accordance with the policies of the TSX Venture Exchange.

Nasdaq Update

On May 11, 2021, Acasti received written notice from the Nasdaq Listing Qualifications Department notifying Acasti that based upon Acasti's non-compliance with the $1.00 bid price requirement set forth in Nasdaq Listing Rule 5550(a) as of May 10, 2021, Acasti common shares were subject to delisting unless Acasti timely requests a hearing before the Nasdaq Hearings Panel. Acasti requested a hearing, which stayed any further action by Nasdaq pending the conclusion of the hearing process.

At the hearing on June 17, 2021, Acasti presented a detailed plan of compliance for the Nasdaq Listing Panel's consideration, which included Acasti's commitment to

implement a share consolidation in connection with the Proposed Transaction. Acasti expects to receive the Nasdaq Listing Panel's decision within 30 days after the hearing date. There can be no assurance that Nasdaq will accept Acasti's plan or that Acasti will be able to regain compliance with Nasdaq's listing rules or maintain compliance with any other Nasdaq requirement in the future. The approval by Nasdaq of (i) the continued listing of Acasti's common shares on Nasdaq following the effective time and (ii) the listing of the Acasti common shares being issued in connection with the merger on Nasdaq at or prior to the effective time are conditions to the closing of the merger.

COVID-19 Update

To date, the ongoing COVID-19 pandemic has not caused significant disruptions to our business operations and research and development activities.

The extent to which the COVID-19 pandemic impacts our business and prospects will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and the actions to contain the COVID-19 pandemic or treat its impact, among others.

Corporate Structure

Acasti was incorporated on February 1, 2002 under Part 1A of the *Companies Act* (Québec) under the name "9113-0310 Québec Inc." On February 14, 2011, the *Business Corporations Act* (Québec), or QBCA, came into effect and replaced the *Companies Act* (Québec). We are now governed by the QBCA. On August 7, 2008, pursuant to a Certificate of Amendment, we changed our name to "Acasti Pharma Inc.", our share capital description, the provisions regarding the restriction on securities transfers and our borrowing powers. On November 7, 2008, pursuant to a Certificate of Amendment, we changed the provisions regarding our borrowing powers. We became a reporting issuer in the Province of Québec on November 17, 2008. On December 18, 2019, we incorporated a new wholly owned subsidiary named Acasti Innovation AG, or AIAG, under the laws of Switzerland for the purpose of future development of our intellectual property and for global distribution of our products. AIAG currently does not have any operations.

Available Information

This annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to these reports are filed, or will be filed, as applicable, with the SEC, and the Canadian Securities Administrators, or CSA. These reports are available free of charge on our website, www.acastipharma.com, as soon as reasonably practicable after we electronically file such reports with or furnish such reports to the SEC and the CSA. Information contained on, or accessible through, our website is not a part of this annual report, and the inclusion of our website address in this document is an inactive textual reference.

Additionally, our filings with the SEC may be accessed through the SEC's website at www.sec.gov and our filings with the CSA may be accessed through the CSA's System for Electronic Document Analysis and Retrieval at www.sedar.com.

Item 1A. Risk Factors

Any investment in our common Shares involves a high degree of risk. The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. If any of these risks actually occur, our business, financial condition, prospects, results of operations or cash flow could be materially and adversely affected, and you could lose all or a part of the value of your investment. Additional risks or uncertainties not currently known to us, or that we deem immaterial, may also negatively affect our business operations.

In addition, on May 7, 2021, Acasti entered into a merger agreement with Grace, pursuant to which, subject to the approval of Acasti shareholders and the satisfaction or waiver of the conditions set forth in the merger agreement, Grace would become a wholly-owned subsidiary of Acasti, referred to herein as the merger.

Risks Related to the Merger

The equity exchange ratio will not be adjusted in the event of any change in Acasti's share price.

If the merger is completed, at the effective time of the merger, each issued and outstanding share of Grace common stock will automatically be converted into the right to receive a number of Acasti common shares per share of Grace common stock equal to the equity exchange ratio set forth in the merger agreement such that, immediately following the consummation of the merger, existing Acasti shareholders are expected to own at least 55% and existing Grace stockholders are expected to own at most 45% of the outstanding capital stock of the combined company on a fully-diluted basis. The equity exchange ratio is subject to upward adjustment in favor of Acasti shareholders based on each company's capitalization and net cash balance at the effective time of the merger, as specified in the merger agreement. For more information on the equity exchange ratio, see the merger agreement filed as exhibit 2.1 to this annual. The equity exchange ratio will not be adjusted for changes in the market price of Acasti common shares. As a result, changes in the price of Acasti common shares prior to completion of the merger will affect the market value of the share considerations that Grace stockholders will receive in the merger. Changes in the Acasti common share price may result from a variety of factors (many of which are beyond Acasti's control), including the following:

- changes in Acasti's and Grace's respective businesses, operations and prospects, or the market assessments thereof;
- market assessments of the likelihood that the merger will be completed; and
- general market and economic conditions and other factors generally affecting the price of Acasti common shares.

The price of Acasti common shares at the closing of the merger may vary from the price on the date the merger agreement was executed, the date of this annual report and the date of the annual and special meeting of Acasti shareholders. As a result, the market value of the merged entity will also vary. For example, based on the range of closing prices of Acasti common shares during the period from May 6, 2021, which was the last trading day before the public announcement of the execution of the merger agreement, through June 18, 2021, the estimated equity exchange ratio represented a market value ranging from a low of approximately $2.47 to a high of approximately $3.07 for each share of Grace common stock.

Because the merger will be completed after the date of the Acasti annual and special shareholders meeting and the Grace stockholder approval, you will not know, at the time of the Acasti annual and special shareholder meeting or the Grace stockholder approval, the market value of the Acasti common shares that Grace stockholders will receive upon completion of the merger.

If the price of Acasti common shares increases between the time of the Acasti annual and special meeting or the Grace stockholder approval and the time at which Acasti common shares are distributed to Grace stockholders following completion of the merger, Grace stockholders will receive Acasti common shares that have a market value that is greater than the market value of such shares at the time of the Acasti annual and special meeting or the Grace stockholder approval. Conversely, if the price of Acasti common shares decreases between the time of the Acasti annual and special meeting or Grace stockholder approval and the time at which Acasti common shares are distributed to Grace stockholders following completion of the merger, Grace stockholders will receive Acasti common shares that have a market value that is less than the market value of such shares at the time of the Acasti annual and special meeting or the Grace stockholder approval. Therefore, Grace stockholders and Acasti shareholders will not have certainty at the time of the Acasti annual and special meeting or the Grace stockholder approval of the market value of the consideration that will be paid to Grace stockholders upon completion of the merger.

Failure to complete the merger could negatively impact the share prices and the future business and financial results of Acasti.

If the merger is not completed, the ongoing businesses of Acasti may be adversely affected. Additionally, if the merger is not completed and the merger agreement is terminated, in certain circumstances, either Acasti or Grace may be required to pay to the other a termination fee of $1,000,000 including any reimbursement the other party's expenses up to a maximum of $500,000. Even if a termination fee or expenses of the other party are not payable in connection with a termination of the merger agreement, Acasti has incurred significant transaction expenses in connection with the merger regardless of whether the merger is completed. The foregoing risks, or other risks arising in connection with the failure of the merger, including the diversion of management attention from conducting the business of Acasti and pursuing other opportunities during the pendency of the merger, may have an adverse effect on the business, operations, and financial results of Acasti as well the price of Acasti common shares. In addition, Acasti could be subject to litigation related to any failure to consummate the merger transaction or any related action that could be brought to enforce a party's obligations under the merger agreement.

The merger agreement contains provisions that could discourage a potential competing acquirer of either Acasti or Grace.

The merger agreement contains "no shop" provisions that, subject to limited exceptions, restrict Acasti's and Grace's ability to solicit, encourage, facilitate, or discuss competing third party proposals to acquire shares or assets of Acasti or Grace. In specified circumstances, upon termination of the merger agreement, Acasti or Grace will be required to pay the termination fee to the other party. In the event that either Acasti or Grace receives an alternative acquisition proposal, the other party has the right to propose changes to the terms of the merger agreement before the Acasti or Grace board of directors may withdraw or qualify its recommendation with respect to the merger and related transactions.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Acasti from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in specified circumstances. Acasti's and Grace's right to match specified alternative acquisition proposals with respect to the other party could also discourage potential competing acquirers from considering or proposing that acquisition.

If the merger agreement is terminated and Acasti determines to seek another transaction, it may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the merger.

The merger may be completed even though certain events occur prior to the closing that materially and adversely affect Acasti or Grace.

The merger agreement provides that either Acasti or Grace can refuse to complete the merger if there is a material adverse change affecting the other party prior to the closing. However, certain types of changes do not permit either party to refuse to complete the merger, even if such change could be said to have a material adverse effect on Acasti or Grace, including, among others:

- changes, developments or conditions in or relating to general international, political, economic or financial or capital market conditions, or political, economic or financial or capital market conditions in any jurisdiction in which Acasti and Grace operate or carry on business;

- changes, developments or conditions resulting from any act of sabotage or terrorism or any outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts of sabotage, terrorism, hostilities or war;
- any natural disaster;
- changes or developments in or relating to currency exchange or interest rates;
- changes or developments affecting the pharmaceutical industry in general;
- any change in applicable laws (other than orders against a party or a subsidiary thereof) or U.S. GAAP;
- except for purposes of representations regarding required approvals in connection with the merger and the absence of violations of law, the parties' respective constating documents or material contracts of the parties or changes in permits held by the parties as a result of the consummation of the transactions contemplated by the merger agreement, the announcement of the execution of the merger agreement or the transactions contemplated thereby;
- any actions taken (or omitted to be taken) by Acasti or Grace upon the express written request of the other;
- any changes in the share price or trading volume of Acasti common shares or any failure of Grace to meet projections, guidance, milestones, forecasts or published financial or operating predictions or measures (it being agreed that the facts and circumstances giving rise to any of the foregoing events or failures, unless expressly excluded, may be taken into account in determining whether a material adverse effect has occurred);
- the COVID-19 pandemic or other epidemic or pandemic outbreaks including any continuation or worsening thereof; or
- a share consolidation of Acasti.

If an adverse change occurs and Acasti and Grace still complete the merger, the business, operations or prospects of the combined company, or the market price of its common shares, may suffer. This in turn may reduce the value received by the shareholders of Acasti in connection with the merger.

If the conditions to the merger are not satisfied or waived, the merger may not occur. If the merger is consummated, it will result in substantial dilution to Acasti shareholders and may not deliver the anticipated benefits Acasti expects.

Even if the merger is approved by the shareholders of Acasti and the stockholders of Grace, specified other conditions must be satisfied or waived to complete the merger. These conditions are set forth in the merger agreement filed as exhibit 2.1 to this annual report. Acasti cannot assure you that all of the conditions will be satisfied or waived. Certain of the closing conditions are legally incapable of being waived. If the conditions are not satisfied or waived, the merger may not occur or will be delayed, and Acasti may lose some or all of the intended benefits of the merger. If consummated, the merger will result in dilution to Acasti's shareholders and could result in other restrictions that may affect its business. Further, if completed, the merger ultimately may not deliver the anticipated benefits or enhance shareholder value.

The combined company may become involved in securities class action litigation that could divert management's attention and harm the combined company's business and insurance coverage may not be sufficient to cover all costs and damages.

In the past, securities class action or shareholder derivative litigation often follows certain significant business transactions, such as the sale of a business division or announcement of a merger. The combined company may become involved in this type of litigation in the future. Litigation is often expensive and diverts management's attention and resources, which could adversely affect the combined company's business.

Acasti has received notice from Nasdaq of non-compliance with the Nasdaq Listing Rules.

On May 11, 2021, Acasti received written notice from the Nasdaq Listing Qualifications Department notifying Acasti that based upon Acasti's non-compliance with the $1.00 bid price requirement set forth in Nasdaq Listing Rule 5550(a) as of May 10, 2021, Acasti securities were subject to delisting unless the Company timely requested a hearing

before the Nasdaq Hearings Panel.

Acasti requested a hearing, which stayed any further action by Nasdaq pending the conclusion of the hearing process.

At the hearing, on June 17, 2021, Acasti presented a detailed plan of compliance for the Nasdaq Listing Panel's consideration, which included Acasti's commitment to implement a share consolidation if needed to evidence compliance with Nasdaq listing rules. Acasti expects to receive the Nasdaq Listing Panel's decision 30 days after the hearing date. There can be no assurance that Nasdaq will accept Acasti's plan or that Acasti will be able to regain compliance with Nasdaq's listing rules or maintain compliance with any other Nasdaq requirement in the future. The approval by Nasdaq of (i) the continued listing of Acasti's common shares on Nasdaq following the effective time and (ii) the listing of the Acasti common shares being issued in connection with the merger on Nasdaq at or prior to the effective time are conditions to the closing of the merger.

We may be subject to foreign exchange rate fluctuations.

Our reporting currency is the U.S. dollar. However, many of our expenses are denominated in foreign currencies, including Canadian dollars. As we previously completed financings in both Canadian and U.S. dollars, both currencies are maintained and used to make required payments in the applicable currency. Though we plan to implement measures designed to reduce our foreign exchange rate exposure, the U.S. dollar/Canadian dollar and U.S. dollar /European euro exchange rates have fluctuated significantly in the recent past and may continue to do so, which could have a material adverse effect on our business, financial position and results of operations.

Risks Related to Intellectual Property

We may not realize any additional value in a strategic transaction for our intellectual property.

The market capitalization of our corporation is or may be below the value of our cash, cash equivalents and marketable securities at the time of consummation of any strategic transaction. Although the CaPre clinical trial failed to meet its primary endpoints, we believe that data from preclinical and other clinical studies of CaPre may support potential further investigation and development activities. However, potential counterparties in a strategic transaction involving our corporation may place minimal or no value on our assets, given the limited data regarding their potential application. Further, the development and any potential commercialization of investigational CaPre will require substantial additional funding associated with conducting the necessary clinical testing and obtaining regulatory approval. Consequently, any potential counterparty in a strategic transaction involving our corporation may choose not to spend additional resources and continue development of CaPre and may attribute little or no value, in such a transaction, to CaPre or our other intellectual property.

It is difficult and costly to protect our intellectual property rights.

It is possible that our patents and/or proprietary technologies in the future could be circumvented through the adoption of competitive, though non-infringing, processes or products. The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal, scientific and factual questions for which important legal principles remain unresolved. Changes in either the patent laws or in interpretations of patent laws may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowable or enforceable in our patents, or of patents licensed to us.

We face risks that:

- our rights under our U.S., Canadian or foreign patents or other licensed patents that other third parties license to us could be curtailed;
- we may not be the first inventor of inventions covered by our issued patents or pending applications or be the first to file patent applications for those inventions;
- our pending or future patent applications may not be issued with the breadth of claim coverage sought by us, or be issued at all;

- our competitors could independently develop or patent technologies that are substantially equivalent or superior to our technologies;
- our trade secrets could be learned independently by our competitors;
- the steps we take to protect our intellectual property may not be adequate; and
- effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not sought by us in some foreign countries.

Further, patents have a limited lifespan. In the United States, a patent generally expires 20 years after it is filed (or 20 years after the filing date of the first non-provisional U.S. patent application to which it claims priority). While extensions may be available, the life of a patent, and the protection it affords, is limited. Further, the extensive period of time between patent filing and regulatory approval for a product candidate limits the time during which we can market that product candidate under patent protection. Patents owned by third parties could have priority over patent applications filed or in-licensed by us, or we or our licensors could become involved in interference, opposition or invalidity proceedings before U.S., Canadian or foreign patent offices. The cost of defending and enforcing our patent rights against infringement charges by other patent holders may be significant and could limit our operations.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. If we or our licensors were to initiate legal proceedings against a third party to enforce a patent our technology, the defendant could counterclaim that our or our licensor's patent is invalid or unenforceable. In patent litigation, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements; for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the patent office, such as the USPTO, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we or our licensors and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection or certain aspects of our platform technology. Such a loss of patent protection could have a material adverse impact on our business. Patents and other intellectual property rights also will not protect our technology if competitors design around our protected technology without legally infringing our patents or other intellectual property rights.

In addition, in an infringement proceeding, a court may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the

technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable, or interpreted narrowly and could put our patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business.

Interference proceedings provoked by third parties or brought by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could result in a loss of our current patent rights and could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, or at all. Litigation or interference proceedings may result in a decision adverse to our interests and, even if we are successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States and Canada. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common shares.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect product candidates.

Numerous recent changes to the patent laws and proposed changes to the rules of the various patent offices around the world may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. These changes may lead to increasing uncertainty with regard to the scope and value of our issued patents and to our ability to obtain patents in the future.

Once granted, patents may remain open to opposition, re-examination, post-grant review,*inter partes* review, nullification derivation and opposition proceedings in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against the initial grant. In the course of any such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims attacked or may lose the allowed or granted claims altogether. Depending on decisions by authorities in various jurisdictions, the laws and regulations governing patents could change in unpredictable ways that may weaken our and our licensors' ability to obtain new patents or to enforce existing patents we and our licensors or partners may obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of some countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Relating to Our Common Shares

The price of our common shares may be volatile.

Market prices for pharmaceutical companies can fluctuate significantly. Factors such as the announcement to the public or in various scientific or industry forums of technological innovations; new commercial products; patents or exclusive rights obtained by us or others; disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies; the commencement, enrollment or announcement of results of clinical trials we conduct, or changes in the development status of our product candidates; results or delays of pre-clinical and clinical studies by us or others; any delay in our regulatory filings for our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority's review of such filings; a change of regulations; additions or departures of key scientific or management personnel; overall performance of the equity markets; general political and economic conditions; publications; failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public; research reports or positive or negative recommendations or withdrawal of research coverage by securities analysts; actual or anticipated variations in quarterly operating results; announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors; public concerns over the risks of pharmaceutical products and dietary supplements; unanticipated serious safety concerns related to the use of our product candidates; the ability to finance, future sales of securities by us or our shareholders; and many other factors, many of which are beyond our control, could have considerable effects on the price of our common shares. The price of our common shares has fluctuated significantly in the past and there can be no assurance that the market price of our common shares will not experience significant fluctuations in the future.

In addition, pharmaceutical companies often experience extreme price and volume fluctuations that are unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may negatively affect the market price of our common shares, regardless of our actual operating performance. In the past, securities class action litigation has often been instituted against pharmaceutical companies following periods of volatility in the market price of their securities. This type of litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources, which would harm our business, operating results or financial condition.

Raising additional capital may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We may need to raise additional capital in order to execute on our business plan. We may seek additional capital through a combination of public and private equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our shareholders. The incurrence of indebtedness by us would result in increased fixed payment obligations and could involve certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or product candidates or grant licenses on terms unfavorable to us.

The market price of our common shares could decline as a result of operating results falling below the expectations of investors or fluctuations in operating results each quarter.

Our net losses and expenses may fluctuate significantly and any failure to meet financial or clinical expectations may disappoint securities analysts or investors and result in a decline in the price of our common shares. Our net losses and expenses have fluctuated in the past and are likely to do so in the future. The market price of our common shares has fluctuated significantly in the past and may continue to do so. Some of the factors that could cause the market price for our common shares to fluctuate include the following:

- the fluctuations in valuation of our derivative warrant liabilities;
- the outcome of any litigation;
- changes in foreign currency fluctuations;
- competition;
- the timing of achievement and the receipt of milestone payments from current or future third parties;
- failure to enter into new or the expiration or termination of current agreements with third parties;
- execution of any new collaboration, licensing or similar arrangement, and the timing of payments we may make or receive under such existing or future arrangements or the termination or modification of any such existing or future arrangements;

- any intellectual property infringement lawsuit or opposition against us or our competition that could have a negative impact on or any proceedings in which we may become involved;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- inability to achieve strategic outcome from review of strategic alternatives; and
- changes in general market and economic conditions.

If our quarterly operating results fall below the expectations of investors or securities analysts, the market price of our common shares could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the market price of our common shares to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

There can be no assurance that an active market for our common shares will be sustained.

There can be no assurance that an active market for our common shares will be sustained. Holders of common shares may be unable to sell their investments on satisfactory terms. As a result of any risk factor discussed herein, the market price of our common shares at any given point in time may not accurately reflect our long-term value. Furthermore, responding to these risk factors could result in substantial costs and divert management's attention and resources. Substantial and potentially permanent declines in the value of our common shares may adversely affect the liquidity of the market for our common shares.

Other factors unrelated to our performance that may have an effect on the price and liquidity of our common shares include: positive or negative industry or competitor news; extent of analyst coverage; lessening in trading volume and general market interest in our common shares; the size of our public float; and any event resulting in a delisting of our common shares.

A large number of common shares may be issued and subsequently sold upon the exercise of existing warrants. The sale or availability for sale of existing warrants or other securities convertible into common shares may depress the price of our common shares.

As of March 31, 2021, there were 15.6 million common shares issuable under outstanding warrants at various exercise prices. To the extent that holders of existing warrants sell common shares issued upon the exercise of warrants, the market price of our common shares may decrease due to the additional selling pressure in the market. The risk of dilution from issuances of common shares underlying existing warrants may cause shareholders to sell their common shares, which could further contribute to any decline in our common share market price.

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

We do not currently intend to pay any cash dividends on our common shares in the foreseeable future.

We have never paid any cash dividends on our common shares and we do not anticipate paying any cash dividends on our common shares in the foreseeable future because, among other reasons, we currently intend to retain any future earnings to finance our business. The future payment of cash dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, our general financial condition and other factors our board of directors may consider appropriate in the circumstances. Until we pay cash dividends, which we may never do, our shareholders will not be able to receive a return on their common shares unless they sell them.

If we fail to meet applicable listing requirements, the NASDAQ Stock Market or the TSXV may delist our common shares from trading, in which case the liquidity and market price of our common shares could decline.

Our common shares are currently listed on the NASDAQ Stock Market and the TSXV, but we cannot assure you that our securities will continue to be listed on the NASDAQ Stock Market and the TSXV in the future. In the past, we have received notices from the NASDAQ Stock Market that we have not been in compliance with its continued listing standards, and we have taken responsive actions and regained compliance.

On February 28, 2020, we received written notification from the NASDAQ Listing Qualifications Department for failing to maintain a minimum bid price of $1.00 per share for the preceding 30 consecutive business days, as required by NASDAQ Listing Rule 5550(a)(2) – bid price (the "Minimum Bid Price Rule"). Under NASDAQ Listing Rule 5810(c)(3)(A) – compliance period, we initially had 180 calendar days to regain compliance.

On April 17, 2020, we were informed that NASDAQ had granted temporary regulatory relief related to its minimum bid price requirement due to the COVID-19 pandemic for all NASDAQ-listed companies and therefore extended the deadline for us to regain compliance to November 9, 2020.

On November 11, 2020, we were further informed that NASDAQ had granted an additional 180 calendar days, or until May 10, 2021, for us to regain compliance.

On May 11, 2021, we received notice from the Nasdaq Listing Qualifications Department indicating that, based upon our non-compliance with the $1.00 bid price requirement set forth in (the Minimum Bid Price Rule) as of May 10, 2021, our common shares were subject to delisting unless we timely requested a hearing before the Nasdaq Hearings Panel (the "Panel").

We requested and were granted a hearing on June 17, 2021, which will stay any further action by Nasdaq pending the conclusion of the hearing process.

At the hearing, we presented a detailed plan of compliance for the Panel's consideration, which included our commitment to implement a share consolidation if needed to evidence compliance with the Minimum Bid Price Rule. Should we determine that a share consolidation is necessary or otherwise advisable to regain compliance with the Minimum Bid Price Rule, we would likely take such action concurrently with the completion of our proposed acquisition of Grace.

If we fail to comply with listing standards and the NASDAQ Stock Market or TSXV delists our common shares, we and our shareholders could face significant material adverse consequences, including:

- a limited availability of market quotations for our common shares;
- reduced liquidity for our common shares;
- a determination that our common shares are "penny stock", which would require brokers trading in our common shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common shares;
- a limited amount of news about us and analyst coverage of us; and
- a decreased ability for us to issue additional equity securities or obtain additional equity or debt financing in the future.

We may pursue opportunities or transactions that adversely affect our business and financial condition.

Our management, in the ordinary course of our business, regularly explores potential strategic opportunities and transactions. These opportunities and transactions may include strategic joint venture relationships, significant debt or equity investments in us by third parties, the acquisition or disposition of material assets, the licensing, acquisition or disposition of material intellectual property, the development of new drug candidates, significant distribution arrangements, the sale of our common shares and other similar opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant effect on the price of our common shares. Our policy is to not publicly disclose the pursuit of a potential strategic opportunity or transaction unless we are required to do so by applicable law, including applicable securities laws relating to periodic disclosure obligations. There can be no assurance that investors who buy or sell common shares are doing so at a time when we are not pursuing a particular strategic opportunity or transaction that, when announced, would have a significant effect on the price of our common shares.

In addition, any such future corporate development may be accompanied by certain risks, including exposure to unknown liabilities relating to the strategic opportunities and transactions, higher than anticipated transaction costs and expenses, the difficulty and expense of integrating operations and personnel of any acquired companies, disruption of our ongoing business, diversion of management's time and attention, and possible dilution to shareholders. We may not be able to successfully overcome these risks and other problems associated with any future acquisitions and this may adversely affect our business and financial condition.

We are a "smaller reporting company" under the SEC's disclosure rules and have elected to comply with the reduced disclosure requirements applicable to smaller reporting companies.

We are a "smaller reporting company" under the SEC's disclosure rules, meaning that we have either:

- a public float of less than $250 million; or
- annual revenues of less than $100 million during the most recently completed fiscal year; and
    - no public float; or
    - a public float of less than $700 million.

As a smaller reporting company, we are permitted to comply with scaled-back disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We have elected to adopt the accommodations available to smaller reporting companies. Until we cease to be a smaller reporting company, the scaled-back disclosure in our SEC filings will result in less information about our company being available than for other public companies.

If investors consider our common shares less attractive as a result of our election to use the scaled-back disclosure permitted for smaller reporting companies, there may be a less active trading market for our common shares and our share price may be more volatile.

As a non-accelerated filer, we are not required to comply with the auditor attestation requirements of the Sarbanes-Oxley Act.

We are a non-accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and we are not required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. Therefore, our internal controls over financial reporting will not receive the level of review provided by the process relating to the auditor attestation included in annual reports of issuers that are subject to the auditor attestation requirements. In addition, we cannot predict if investors will find our common shares less attractive because we are not required to comply with the auditor attestation requirements. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and trading price for our common shares may be negatively affected.

U.S. investors may be unable to enforce certain judgments.

We are a company existing under the *Business Corporations Act* (Québec). Some of our directors and officers are residents of Canada, and substantially all of our assets are currently located outside the United States. As a result, it may be difficult to effect service within the United States upon us or upon some of our directors and officers. Execution by U.S. courts of any judgment obtained against us or any of our directors or officers in U.S. courts may be limited to assets located in the United States. It may also be difficult for holders of securities who reside in the United States to realize in the United States upon judgments of U.S. courts predicated upon civil liability of us and our directors and executive officers under the U.S. federal securities laws. There may be doubt as to the enforceability in Canada against non-U.S. entities or their controlling persons, directors and officers who are not residents of the United States, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon U.S. federal or state securities laws.

There is a significant risk that we may be classified as a PFIC for U.S. federal income tax purposes.

Current or potential investors in our common shares who are U.S. Holders (as defined below) should be aware that, based on our most recent financial statements and projections and given uncertainty regarding the composition of our future income and assets, there is a significant risk that we may have been classified as a "passive foreign investment company" or "PFIC" for the taxable year that ended on March 31, 2021, and may be classified as a PFIC for our current taxable year and possibly subsequent years. If we are a PFIC for any year during a U.S. Holder's holding period of our common shares, then such U.S. taxpayer generally will be required to treat any gain realized upon a disposition of such common shares or any so-called "excess distribution" received on such common shares, as ordinary income (with a portion subject to tax at the highest rate in effect), and to pay an interest charge on a portion of such gain or excess distribution. In certain circumstances, the sum of the tax and the interest charge may exceed the total amount of proceeds realized on the disposition, or the amount of excess distribution received, by the U.S. Holder. Subject to certain limitations, a timely and effective QEF Election (as defined below) under Section 1295 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, or a Mark-to-Market Election (as defined below) under Section 1296 of the Code may be made with respect to the common shares. A U.S. Holder who makes a timely and effective QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. Holder who makes the Mark-to-Market Election generally must include as ordinary income each year the excess of the fair market value of their common shares over the holder's basis therein. This paragraph is qualified in its entirety by the discussion under the heading "Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities - U.S. Federal Income Tax Considerations of the Acquisition, Ownership, and Disposition of Common Shares - Passive Foreign Investment Company Rules" and does not take into account any changes to the composition of our income and assets resulting from the merger. Each current or potential investor who is a U.S. Holder should consult its own tax advisor regarding the U.S. federal, state and local, and non-U.S. tax consequences of the acquisition, ownership, and disposition of our common shares, the U.S. federal tax consequences of the PFIC rules, and the availability of any election that may be available to the holder to mitigate adverse U.S. federal income tax consequences of holding shares in a PFIC.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our head office and operations are located at 3009 boul. de la Concorde East, Suite 102, Laval, Québec, Canada H7E 2B5 and our research and development and quality control laboratory is located at Espace Lab, 2650 Maximilien-Chagnon, Sherbrooke, Québec, Canada, J1E 0M8. We currently lease our office and laboratory space. We do not own our own manufacturing facility to produce CaPre; however, we do own the proprietary equipment for producing the related active pharmaceutical ingredient, or API, and drug product.

Item 3. Legal Proceedings

Due to the fact that a portion of our intellectual property rights are licensed to us by Neptune/Aker, we rely on Neptune/Aker to protect a certain of the intellectual property rights that we use under our license agreement with Neptune/Aker. Neptune/Aker are engaged in a number of legal actions related to their intellectual property.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares are traded on The Nasdaq Capital Market and the TSX Venture Exchange under the symbol "ACST."

Holders

As of June 22, 2021, there were approximately 26 holders of record of our common shares. The actual number of shareholders is greater than this number of record holders and includes shareholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividends

We do not anticipate paying any cash dividend on our common shares in the foreseeable future. We presently intend to retain future earnings to finance the expansion and growth of our business. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors the board of directors deems relevant. In addition, the terms of any future debt or credit facility may preclude us from paying dividends.

Taxation

The following is a summary of certain U.S. federal income tax considerations arising from and relating to the acquisition, ownership, and disposition of our common shares to a U.S. Holder (as defined below) as capital assets.

This summary provides only general information and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply

to a U.S. Holder as a result of the acquisition, ownership, and disposition of our common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences applicable to that U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, state and local, and non-U.S. tax consequences arising from or relating to the acquisition, ownership, and disposition of our common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service, or IRS, has been requested, or will be obtained, regarding the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Disclosure

Authorities

This summary is based on the Code, U.S. Treasury Regulations promulgated thereunder (whether final, temporary or proposed), published IRS rulings, judicial decisions, published administrative positions of the IRS, and the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the Canada-U.S. Tax Treaty), in each case, as in effect as of the date of this report. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. Unless otherwise discussed, this summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

U.S. Holders

For purposes of this summary, a "U.S. Holder" is a beneficial owner of common shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the United States, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the United States or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders subject to the alternative minimum tax provisions of the Code; (f) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, integrated transaction, constructive sale, or other arrangement involving more than one position; (g) U.S. Holders that acquired common shares through the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code; (i) U.S. Holders that beneficially own (directly, indirectly or by attribution) 10% or more of our equity securities (by vote or value); and (j) U.S. expatriates. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences arising from and relating to the acquisition, ownership, and disposition of the common shares.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to that partnership and the partners of that partnership generally will depend on the activities of the partnership and the status of the partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of the common shares.

Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed

This summary does not address the U.S. estate and gift, alternative minimum, state, local or non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. estate and gift, alternative minimum, state, local and non-U.S. tax consequences arising from and relating to the acquisition, ownership, and disposition of our common shares.

U.S. Federal Income Tax Considerations of the Acquisition, Ownership, and Disposition of Common Shares

Distributions on Common Shares

Subject to the discussion under "—Passive Foreign Investment Company Rules" below, a U.S. Holder that receives a distribution, including a constructive distribution or a taxable stock distribution, with respect to the common shares generally will be required to include the amount of that distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of our current or accumulated "earnings and profits" (as computed for U.S. federal income tax purposes). To the extent that a distribution exceeds our current and accumulated "earnings and profits", the excess amount will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder's adjusted tax basis in the common shares with respect to which the distribution is made (resulting in a corresponding reduction in the tax basis of those common shares) and, (b) thereafter, as gain from the sale or exchange of those common shares (see the more detailed discussion at "—Disposition of Common Shares" below). We do not intend to calculate our current or accumulated earnings and profits for U.S. federal income tax purposes and, therefore, will not be able to provide U.S. Holders with that information. U.S. Holders should therefore assume that any distribution by us with respect to our common shares will constitute a dividend. However, U.S. Holders should consult their own tax advisors regarding whether distributions from us should be treated as dividends for U.S. federal income tax purposes. Dividends paid on our common shares generally will not be eligible for the "dividends received deduction" allowed to corporations under the Code with respect to dividends received from U.S. corporations.

A dividend paid by us generally will be taxed at the preferential tax rates applicable to long-term capital gains if, among other requirements, (a) we are a "qualified foreign corporation" (as defined below), (b) the U.S. Holder receiving the dividend is an individual, estate, or trust, and (c) the dividend is paid on common shares that have been held by the U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the "ex-dividend date" (i.e., the first date that a purchaser of the common shares will not be entitled to receive the dividend).

For purposes of the rules described in the preceding paragraph, we generally will be a "qualified foreign corporation", or a QFC, if (a) we are eligible for the benefits of the

Canada-U.S. Tax Treaty, or (b) our common shares are readily tradable on an established securities market in the United States, within the meaning provided in the Code. However, even if we satisfy one or more of the requirements, we will not be treated as a QFC if we are classified as a PFIC (as discussed below) for the taxable year during which we pay the applicable dividend or for the preceding taxable year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of those rules to them in their particular circumstances. Even if we satisfy one or more of the requirements, as noted below, there can be no assurance that we will not be a PFIC in the current taxable year or become a PFIC in the future. Thus, there can be no assurance that we will qualify as a QFC.

Disposition of Common Shares

Subject to the discussion under "—Passive Foreign Investment Company Rules" below, a U.S. Holder will recognize gain or loss on the sale or other taxable disposition of common shares (that is treated as a sale or exchange for U.S. federal income tax purposes) equal to the difference, if any, between (a) the U.S. dollar value of the amount realized on the date of the sale or disposition and (b) the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in the common shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the common shares are held for more than one year. A U.S. Holder's initial tax basis in the common shares generally will equal the U.S. dollar cost of such common shares. Each U.S. Holder should consult its own tax advisor as to the tax treatment of dispositions of common shares in exchange for Canadian dollars.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations.

Passive Foreign Investment Company Rules

If we are or become a PFIC, the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares.

Passive Foreign Investment Company Status.

Special, generally unfavorable, rules apply to the ownership and disposition of the stock of a PFIC. For U.S. federal income tax purposes, a non-U.S. corporation is classified as a PFIC if:

- at least 75% of its gross income for the taxable year is "passive" income (referred to as the "income test"); or
- at least 50% of the average value of its assets held during the taxable year is attributable to assets that produce passive income or are held for the production of passive income (referred to as the "asset test").

Passive income generally includes the following types of income:

- dividends, royalties, rents, annuities, interest, and income equivalent to interest; and
- net gains from the sale or exchange of property that gives rise to dividends, interest, royalties, rents, or annuities and certain gains from the commodities transactions.

In determining whether we are a PFIC, we will be required to take into account a pro rata portion of the income and assets of each corporation in which we own, directly or indirectly, at least 25% by value.

As described above, PFIC status of a non-U.S. corporation depends on the relative values of certain categories of assets and the relative amount of certain kinds of income for a taxable year. Therefore, our status as a PFIC for any given taxable year depends upon the financial results for such year and upon relative valuations, which are subject to change and beyond our ability to predict or control. Based on our most recent financial statements and projections and given uncertainty regarding the composition of our future income and assets, there is a significant risk that we may have been classified as a PFIC for the taxable year that ended on March 31, 2021, and may be classified as a PFIC for our current taxable year and possibly subsequent years. However, PFIC status is fundamentally factual in nature, depends on the application of complex U.S. federal income tax rules (which are subject to differing interpretations), generally cannot be determined until the close of the taxable year in question and is determined annually. In addition, in evaluating the risk that we may be classified as a PFIC for our current taxable year and subsequent years, we have not taken into account any changes to the composition of our income and assets that may result from the merger. Accordingly, there can be no assurance that we will not be a PFIC in our current taxable year or subsequent years. The PFIC rules are complex, and each U.S. Holder should consult its tax advisor regarding the application of the PFIC rules to us.

Default PFIC Rules Under Section 1291 of the Code.

Generally, if we are or have been treated as a PFIC for any taxable year during a U.S. Holder's holding period of common shares, subject to the special rules described below applicable to a U.S. Holder who makes a Mark-to-Market Election or a QEF Election (each as defined below), any "excess distribution" with respect to the common shares would be allocated ratably over the U.S. Holder's holding period. The amounts allocated to the taxable year of the excess distribution and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations in that taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Distributions made in respect of common shares during a taxable year will be excess distributions to the extent they exceed 125% of the average of the annual distributions on common shares received by the U.S. Holder during the preceding three taxable years or the U.S. Holder's holding period, whichever is shorter. In addition, dividends generally will not be qualified dividend income if we are a PFIC in the taxable year of payment or the preceding year.

Generally, if we are treated as a PFIC for any taxable year during which a U.S. Holder owns common shares, any gain on the disposition of the common shares would be treated as an excess distribution and would be allocated ratably over the U.S. Holder's holding period and subject to taxation in the same manner as described in the preceding paragraph and would not be eligible for the preferential long-term capital gains rate.

Certain elections (including the Mark-to-Market Election and the QEF Election, as defined and discussed below) may sometimes be used to mitigate the adverse impact of the PFIC rules on U.S. Holders, but these elections may accelerate the recognition of taxable income and have other adverse results.

Each current or prospective U.S. Holder should consult its own tax advisor regarding potential status of us as a PFIC, the possible effect of the PFIC rules to such holder in their particular circumstances, information reporting required if we were treated as a PFIC and the availability of any election that may be available to the holder to mitigate adverse U.S. federal income tax consequences of holding shares in a PFIC.

QEF Election.

A U.S. Holder of common shares in a PFIC generally would not be subject to the PFIC rules discussed above if the U.S. Holder had made a timely and effective election (a "QEF Election") to treat us as a "qualified electing fund" (a "QEF"). Instead, such U.S. Holder would be subject to U.S. federal income tax on its *pro rata* share of our (i) net capital gain, which would be taxed as long-term capital gain to such U.S. Holder, and (ii) ordinary earnings, which would be taxed as ordinary income to such U.S. Holder, in each case regardless of whether such amounts are actually distributed to such U.S. Holder. However, a U.S. Holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election generally (a) may receive a tax-free distribution from us to the extent that such distribution represents our "earnings and profits" that were previously included in income by such U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the common shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, for U.S. federal income tax purposes, a U.S. Holder that makes a timely QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of the common shares.

A QEF Election will be treated as "timely" if such QEF Election is made for the first taxable year in the U.S. Holder's holding period for the common shares in which we are a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such first year. If a U.S. Holder makes a QEF Election after the first taxable year in the U.S. Holder's holding period for the common shares in which we are a PFIC, then, in addition to filing the QEF Election documents, a U.S. Holder may elect to recognize gain (which will be taxed under the rules discussed under "*—Default PFIC Rules Under Section 1291 of the Code*") as if the common shares were sold on the qualification date. The "qualification date" is the first day of the first taxable year in which we are a QEF with respect to such U.S. Holder. The election to recognize such gain can only be made if such U.S. Holder's holding period for the common shares includes the qualification date. By electing to recognize such gain, such U.S. Holder will be deemed to have made a timely QEF Election. In addition, under very limited circumstances, it is possible that a U.S. Holder might make a retroactive QEF Election if such U.S. Holder failed to file the QEF Election documents in a timely manner. If a U.S. Holder fails to make a QEF Election for the first taxable year in the U.S. Holder's holding period for the common shares in which we are a PFIC and does not elect to recognize gain as if the common shares were sold on the qualification date, such holder will not be treated as having made a "timely" QEF Election and will continue to be subject to the special adverse taxation rules discussed above under "*—Default PFIC Rules Under Section 1291 of the Code*".

A QEF Election will apply to the taxable year for which such QEF Election is made and to all subsequent taxable years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent taxable year, we cease to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those taxable years in which we are not a PFIC. Accordingly, if we become a PFIC in another subsequent taxable year, the QEF Election will be effective, and the U.S. Holder will be subject to the rules described above during any such subsequent taxable year in which we qualify as a PFIC.

A U.S. Holder cannot make and maintain a valid QEF Election unless we provide certain U.S. tax information necessary to make such an election. On an annual basis, we intend to use commercially reasonable efforts to make available to U.S. Holders, upon their written request (a) timely information as to our status as a PFIC, and (b) for each year in which we are a PFIC, information and documentation that a U.S. Holder making a QEF Election with respect to us is required to obtain for U.S. federal income tax purposes. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election with respect to us.

Mark-to-Market Election.

A U.S. Holder of common shares in a PFIC would not be subject to the PFIC rules discussed above under "*–Default PFIC Rules Under Section 1291 of the Code*" if the U.S. Holder had made a timely and effective election to mark the PFIC common shares to market (a "Mark-to-Market Election").

A U.S. Holder may make a Mark-to-Market Election with respect to the common shares only if such shares are marketable stock. Such shares generally will be "marketable stock" if they are regularly traded on a "qualified exchange," which is defined as (a) a national securities exchange that is registered with the SEC, (b) the national market system established pursuant to section 11A of the Exchange Act, or (c) a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such non-U.S. exchange has trading volume, listing, financial disclosure, surveillance, and other requirements, and the laws of the country in which such non-U.S. exchange is located, together with the rules of such non-U.S. exchange, ensure that such requirements are actually enforced and (ii) the rules of such non-U.S. exchange ensure active trading of listed stocks. Our common shares will generally be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of common shares is traded on a qualified exchange for at least 15 days during each calendar quarter. Each U.S. Holder should consult its own tax advisor with respect to the availability of a Mark-to-Market Election with respect to the common shares.

In general, a U.S. Holder that makes a timely Mark-to-Market Election with respect to the common shares will include in ordinary income, for each taxable year in which we are a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares as of the close of such taxable year over (b) such U.S. Holder's tax basis in such shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the lesser of (a) the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the common shares over (ii) the fair market value of such shares as of the close of such taxable year or (b) the excess, if any, of (i) the amount included in ordinary income because of such Mark-to-Market Election for prior taxable years over (ii) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years. If a U.S. Holder makes a Mark-to-Market Election after the first taxable year in which we are a PFIC and such U.S. Holder has not made a timely QEF Election with respect to us, the PFIC rules described above under "*—Default PFIC Rules Under Section 1291 of the Code*" will apply to certain dispositions of, and distributions on, the common shares, and the U.S. Holder's mark-to-market income for the year of the election. If we were to cease being a PFIC, a U.S. Holder that marked its common shares to market would not include mark-to-market gain or loss with respect to its common shares for any taxable year that we were not a PFIC.

A U.S. Holder that makes a Mark-to-Market Election generally will also adjust such U.S. Holder's tax basis in his common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of the common shares subject to a Mark-to-Market Election, any gain or loss on such disposition will be ordinary income or loss (to the extent that such loss does not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior taxable years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years). A Mark-to-Market Election applies to the taxable year in which such Mark-to-Market Election is made and to each subsequent taxable year unless the common shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election with respect to the common shares.

Reporting.

If we were to be treated as a PFIC in any taxable year, a U.S. Holder will generally be required to file an annual report with the IRS containing such information as the U.S. Treasury Department may require.

Each U.S. Holder should consult its own tax advisor regarding our potential status as a PFIC, the possible effect of the PFIC rules to such holder and information reporting required if we were a PFIC, as well as the availability of any election that may be available to the holder to mitigate adverse U.S. federal income tax

consequences of holding shares in a PFIC.

Receipt of Foreign Currency

The amount of a distribution paid in Canadian dollars or Canadian dollar proceeds received on the sale or other taxable disposition of common shares will generally be equal to the U.S. dollar value of the currency on the date of receipt. If any Canadian dollars received with respect to the common shares are later converted into U.S. dollars, U.S. Holders may realize foreign currency gain or loss on the conversion. Any gain or loss generally will be treated as ordinary income or loss and generally will be from sources within the United States for U.S. foreign tax credit purposes. Each U.S. Holder should consult its own tax advisor concerning the possibility of foreign currency gain or loss if any such currency is not converted into U.S. dollars on the date of receipt.

Foreign Tax Credit

Subject to certain limitations, a U.S. Holder who pays (whether directly or through withholding) Canadian or other non-U.S. income tax with respect to the common shares may be entitled, at the election of the U.S. Holder, to receive either a deduction or a credit for Canadian or other non-U.S. income tax paid. Dividends paid on common shares generally will constitute income from sources outside the United States. Any gain from the sale or other taxable disposition of the common shares by a U.S. Holder generally will constitute U.S. source income. The foreign tax credit rules (including the limitations with respect thereto) are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules, having regard to such holder's particular circumstances.

Information Reporting; Backup Withholding

Generally, information reporting and backup withholding will apply to distributions on, and the payment of proceeds from the sale or other taxable disposition of, the common shares unless (i) the U.S. Holder is a corporation or other exempt entity, or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number, certifies that the U.S. Holder is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Any amount withheld generally will be creditable against a U.S. Holder's U.S. federal income tax liability or refundable to the extent that it exceeds such liability provided the required information is provided to the IRS in a timely manner.

In addition, certain categories of U.S. Holders must file information returns with respect to their investment in a non-U.S. corporation. For example, certain U.S. Holders must file IRS Form 8938 with respect to certain "specified foreign financial assets" (such as the common shares) with an aggregate value in excess of US$50,000 (and, in some circumstances, a higher threshold). Failure to do so could result in substantial penalties and in the extension of the statute of limitations with respect to such holder's U.S. federal income tax returns. Each U.S. Holder should consult its own tax advisor regarding application of the information reporting and backup withholding rules to it in connection with an investment in our common shares.

Medicare Contribution Tax

U.S. Holders that are individuals, estates or certain trusts generally will be subject to a 3.8% Medicare contribution tax on, among other things, dividends on, and capital gains from the sale or other taxable disposition of, common shares, subject to certain limitations and exceptions. Each U.S. Holder should consult its own tax advisor regarding possible application of this additional tax to income earned in connection with an investment in our common shares.

Recent Sales of Unregistered Securities

None.

Issuer Repurchases of Equity Securities

None.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion should be read in conjunction with the attached consolidated financial statements and notes thereto. This annual report contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially from those expressed or implied by such forward-looking statements. For a detailed discussion of these risks and uncertainties, see Item 1A, "Risk Factors" of this annual report. We caution the reader not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this annual report. We undertake no obligation to update forward-looking statements which reflect events or circumstances occurring after the date of this annual report, unless required by applicable securities laws.

Introduction

This management's discussion and analysis, or MD&A, is presented in order to provide the reader with an overview of the financial results and changes to our financial position as at March 31, 2021 and for the three and twelve-month periods then ended. This MD&A explains the material variations in our financial statements of operations, financial position and cash flows for the three and twelve-month periods ended March 31, 2021, and 2020.

Market data and certain industry data and forecasts included in this MD&A were obtained from internal corporation surveys, market research, and publicly available information, reports of governmental agencies and industry publications and surveys. We have relied upon industry publications as our primary sources for third-party industry data and forecasts. Industry surveys, publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. We have not independently verified any of the data from third-party sources or the underlying economic assumptions they made. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of our industry, have not been independently verified. Our estimates involve risks and uncertainties, including assumptions that may prove not to be accurate, and these estimates and certain industry data are subject to change based on various factors, including those discussed under Item 1.A "Risk Factors" in this annual report. While we believe our internal business, research is reliable and the market definitions we use in this MD&A are appropriate, neither our business research nor the definitions we use have been verified by any independent source. This MD&A may only be used for the purpose for which it has been published.

This MD&A, approved by the Board of Directors on June 22, 2021, should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2021, and 2020. Our audited financial statements were prepared in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board in the United States, or GAAP. Up to and including the third quarter ended December 31, 2019, we prepared our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board. Our financial results are now published in United States

dollars. Effective March 31, 2020, the reporting currency used in the consolidated financial statements changed from Canadian dollars to U.S. dollars. This change in reporting currency has been applied in the financial statements retrospectively such that all amounts expressed in our consolidated financial statements and the accompanying notes thereto are in U.S. dollars. All amounts appearing in this MD&A for the period-by-period discussions are in thousands of U.S. dollars, except share and per share amounts or unless otherwise indicated.

Basis of presentation of the financial statements

Our consolidated financial statements, which include the accounts of our subsidiary AIAG, have been prepared in accordance with GAAP and the rules and regulations of the SEC related to annual reports filed on Form 10-K. All intercompany transactions and balances are eliminated on consolidation.

The following summarizes the principal conditions or events relevant to our going concern assessment, which primarily considers the period of one year from the issuance date of our financial statements.

We have incurred operating losses and negative cash flows from operations since our inception. In prior years there was substantial doubt regarding our ability to realize our assets and discharge our liabilities and commitments in the ordinary course of business. During year ended March 31, 2021, we raised net proceeds of $59.3 million under our ATM program. Our assets as at March 31, 2021, include cash and cash equivalents and short-term investments totaling $60.8 million. Our current liabilities total $1.6 million as at March 31, 2021 and are comprised primarily of amounts due to or accrued for creditors.

Our ability to continue as a going concern is dependent upon our ability to achieve a successful completion of our proposed merger with Grace or another strategic alternative and ultimately generate cashflows to meet our obligations. To date, we have financed our operations primarily through public offerings of common shares, private placements, and the proceeds from research tax credits, and will require additional financing in the future. There is no assurance that our proposed merger with Grace or another strategic transaction will be consummated as such transaction is not within our control. As a result of our current liquidity profile, the reduction of operating expenses and the limited liabilities, management has assessed that substantial doubt no longer exists regarding our ability to continue as a going concern for one year from the issuance date of these financial statements.

Comparative financial information for the three-month periods and years ended March 31, 2021, and 2020.

	Three-month periods ended		Year ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	$	$	$	$
Net income (loss)	(5,646)	16,625	(19,678)	(25,513)
Basic and diluted gain (loss) per share	(0.03)	0.18	(0.17)	(0.30)
Total assets	62,458	22,853	62,458	22,853
Working capital[1]	60,793	8,684	60,793	8,684
Total non-current financial liabilities	5,219	2,464	5,219	2,464
Total shareholders' equity	55,660	12,994	55,660	12,994

[1] Working capital is calculated by subtracting current liabilities from current assets. Because there is no standard method endorsed by GAAP, the results may not be comparable to similar measurements presented by other public companies.

Statement of Net Loss

	Three-month periods ended		Year ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	$	$		$
Revenue	115	-	196	-
Cost sales of products	(40)	-	(76)	-
Research and development expenses	(453)	(1,918)	(4,173)	(15,974)
General and administrative expenses	(1,443)	(1,549)	(5,521)	(5,799)
Sales and marketing expenses	(66)	(563)	(1,142)	(2,665)
Impairment of Intangible assets	-	-	(3,706)	-
Impairment of Equipment	-	-	(1,584)	-
Impairment of Other assets and prepaids	(413)	-	(413)	-
Financial Income (expenses)	(3,346)	20,646	(3,259)	(1,075)
Net loss	(5,646)	16,616	(19,678)	(25,513)

Results of operations for the three and twelve-month periods ended March 31, 2021, and 2020

Three months ended March 31, 2021, and 2020

The net loss of $5,646 or $0.03 per share for the three months ended March 31, 2021, increased by $22,262 from the net income of $16,616 or $0.18 per share for the three months ended March 31, 2020.

The increase in net loss resulted primarily from net financial expenses decreasing by $23,992 to an expense of $3,346 for the three months ended March 31, 2021, as compared to net financial income of $20,646 for the three months ended March 31, 2020. This is due mostly to a decrease from the change in fair value of the derivative warrant liability

as compared to the comparative fiscal quarter in 2020 caused by a proportionately higher decrease in the quarter over quarter closing share price partly offset by a reduction in the number of warrants outstanding due to exercises during the prior year.

In October 2020, the Corporation entered into an agreement with the Centre Integre Universitaire et des services sociaux de L'Estrie – Centre hospitalier Universitaire de Sherbrooke to start producing and selling viral transport medium tubes to be utilized in testing related to the COVID-19 pandemic.

In addition, a decrease in research and development expenses of $1,465 occurred as the TRILOGY Phase 3 clinical program for CaPre was winding down. General and administrative expenses decreased from the prior period, with the current period being impacted by lower legal and professional fees. Sales and marketing expenses also decreased as a result of the termination of CaPre commercialization activities due to the TRILOGY 2 Phase 3 clinical trial results.

Fiscal years ended March 31, 2021, and 2020

The net loss of $19,678 or $0.17 per share for the year ended March 31, 2021, decreased by $5,835 from the net loss of $25,513 or $0.30 per share for the year ended March 31, 2020.

The decreased net loss resulted in part from a decrease in research and development expenses of $11,801 occurred as the TRILOGY Phase 3 clinical program for CaPre was winding down. General and administrative expenses decreased from the comparative period due to decreased stock-based compensation. Sales and marketing expenses also decreased by $1,523, as a result of the termination of any CaPre commercialization activities due to the TRILOGY 2 Phase 3 clinical trial results. Furthermore, operational events related to the TRILOGY results resulted in increased loss related to the impairment of equipment and intangible assets amounting to $5,290. The decreased net loss also resulted from financial expenses of $3,259 for the year ended March 31, 2021, as compared to net financial expenses of $1,075 for the year ended March 31, 2020, due mostly to the change in fair value of the warrant derivative liability.

Two separate derivative warrant liabilities are included in the statement of financial position as at March 31, 2021, and March 31, 2020. These derivative warrant liabilities stem from financing transactions that took place in May 2018 and December 2017. These derivative warrant liabilities are re-measured to fair value at each reporting date using the Black-Scholes option pricing model. The valuations are mainly driven by the fluctuation in our share price resulting in an increased or decreased loss or gain related to the change in fair value of the warrant liabilities and increasing or decreasing the corresponding liability in the balance sheet.

Breakdown of major components of the statement of loss and comprehensive loss

Research and development expenses

	Three Months Ended		Year Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	$	$	$	$
Salaries and benefits	344	476	1,459	1,759
Research contracts	2	669	917	10,260
Professional fees	57	119	467	1,117
Other	37	81	188	392
Government grants & tax credits	(36)	(117)	(127)	(313)
Sub-total	**404**	**1,228**	**2,904**	**13,215**
Stock-based compensation	49	93	353	443
Depreciation and amortization	-	597	916	2,316
Total	**453**	**1,918**	**4,173**	**15,974**

General and administrative expenses

	Three Months Ended		Year Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	$	$	$	$
Salaries and benefits	434	385	1,321	1,506
Professional fees	593	615	2,337	2,018
Other	294	291	1,027	1,058
Sub-total	**1,321**	**1,291**	**4,685**	**4,582**
Stock-based compensation	122	258	828	1,217
Depreciation	**-**	**-**	**8**	**-**
Total	**1,443**	**1,549**	**5,521**	**5,799**

Sales and Marketing Expenses

	Three Months Ended		Year Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	$	$	$	$
Salaries and benefits	65	389	1,050	1,206
Professional fees	-	48	75	711
Other	1	32	24	455
Sub-total	**66**	**469**	**1,149**	**2,372**
Stock-based compensation	-	94	(7)	293
Total	**66**	**563**	**1,142**	**2,665**

Three months ended March 31, 2021, compared to the three months ended March 31, 2020

During the three months ended September 30, 2020, we released our TRILOGY 2 Phase 3 clinical study results for CaPre. TRILOGY 2 failed to meet the primary endpoint, and consequently we decided we will not file an NDA with the FDA. Research and development expenses are reduced due to the completion of the TRILOGY program, and we

discontinued all CaPre related marketing activities, while we evaluated a range of strategic alternatives. As a result, research and development expenses before depreciation, amortization and stock-based compensation expense for the three months ended March 31, 2021, totaled $404 compared to $1,228 for the three months ended March 31, 2020. The net decrease of $824 was mainly attributable to a reduction in research contracts with the completion of the TRILOGY research and development activities of $667 as well as a reduction in headcount within the department resulting in a decrease of salaries of $132. The remaining decrease of $23 is a result of various other operational reductions.

General and administrative expenses totaled $1,321 before depreciation and stock-based compensation expense for the three-months ended March 31, 2021 and increased by $31 from $1,291 for the three months ended March 31, 2020. This increase is mostly a result of increased salaries of $49 related to retention amounts offset by a decrease in professional fees of $22.

Sales and marketing expenses were $66 before stock-based compensation expense for the three months ended March 31, 2021, compared to $469 for the three months ended March 31, 2020. The decrease of $403 was mostly due to a decrease in salaries related to the reduction in headcount in the department of $324 as well as a decrease of $79 related to other sales activities as a result of discontinuing planned pre-launch marketing activities for CaPre.

Stock-based compensation expense decreased by $274 to $171 for the three-month period ended March 31, 2021, as compared to $445 for the three-month period ended March 31, 2020. The decrease in expense is due to forfeited options as well as the fact that no options have been granted in the current period.

The depreciation expense decreased by $597 for the three-month period ended March 31, 2021, as compared to $597 for the three-month period ended March 31, 2020. This is due to the impact of the equipment being classified as held for resale and no additional depreciation recognized.

Year ended March 31, 2021, compared to year ended March 31, 2020

During the three months ended September 30, 2020, we released our TRILOGY 2 Phase 3 clinical study results for our lead product in development, CaPre. TRILOGY 2 failed to meet its primary endpoint, and consequently we will not file an NDA with the FDA. Research and development expenses have been reduced due to the completion of the TRILOGY program, and we discontinued all CaPre related marketing activities while we evaluate a range of strategic alternatives. As a result, research and development expenses before depreciation, amortization and stock-based compensation expense for the year ended March 31, 2021, totaled $2,904 compared to $13,215 for the year ended March 31, 2020. The net decrease of $10,311 was mainly attributable to a reduction in research contracts with the completion of the CaPre R&D activities of $9,343 as well as a reduction in headcount within the department resulting in a decrease of salaries of $300. In addition, a decrease of $854 related to various other operational reductions such as professional fees resulted, as well as a decrease to the government tax credits of $186.

General and administrative expenses totaled $4,685 before depreciation and stock-based compensation expense for the year ended March 31, 2021 and increased by $103 from $4,582 for the year ended March 31, 2020. This increase was mainly attributable to a $100 increase associated with our insurance policies, as well as an increase of $186 in legal fees, which was offset by a $185 decrease in salaries related to a reversal in bonus amounts accrued.

Sales and marketing expenses were $1,149 before stock-based compensation expense for the year ended March 31, 2021, compared to $2,372 for the year ended March 31, 2020. The decrease of $1,223 was mostly due to a reduction in salaries of $156 due to a reduction in headcount, as well as a reduction in professional fees and other sales activities of $1,067 due to the end of the planned pre-launch marketing activities for CaPre.

Stock-based compensation expense decreased by $779 to $1,174 for the year ended March 31, 2021, as compared to $1,953 for the year ended March 31, 2020. The decrease in expense is due to forfeited options as well as the fact that no options have been granted in the current period.

The depreciation expense decreased by $1,392 to $924 for the year ended March 31, 2021, as compared to $2,316 for the year ended March 31, 2020. This is due to the impact of the equipment being classified as held for resale and no additional depreciation recognized.

Liquidity and Capital Resources

Share Capital Structure

Our authorized share capital consists of an unlimited number of Class A, Class B, Class C, Class D and Class E shares, without par value. Issued and outstanding fully paid shares, stock options, restricted shares units and warrants, were as follows for the periods ended:

	March 31, 2021 Number outstanding	March 31, 2020 Number outstanding
Class A shares, voting, participating and without par value	208,375,549	90,209,449
Stock options granted and outstanding	7,294,919	9,936,486
May 2018 public offering of warrants exercisable at CAD $1.31, until May 9, 2023	6,593,750	6,593,750
Public offering broker warrants May 2018 exercisable at CAD $1.05 until May 9, 2023	1	222,976
December 2017 U.S. public offering of warrants exercisable at US$1.26, until December 19, 2022	7,072,962	7,072,962
December 2017 U.S. broker warrants exercisable at US $1.2625, until December 27, 2022	259,121	259,121
February 2017 public offering of warrants exercisable at CAD $2.15, until February 21, 2022	1,723,934	1,723,934
Total fully diluted shares	231,320,236	116,018,678

Cash Flows and Financial Condition between the years ended March 31, 2021 and 2020

Summary

As at March 31, 2021, cash and cash equivalents totaled $50,942, a net increase of $36,702 compared to cash and cash equivalents totaling $14,240 at March 31, 2020.

Operating activities

During the years ended March 31, 2021, and March 31, 2020, our operating activities used cash of $14,319 and $22,951, respectively, the decrease of which is a reflection of the completion of our Phase 3 program for CaPre and related reduction of accounts payables and accruals.

Investing activities

During the year ended March 31, 2021, we used cash of $9,858 due primarily to the acquisition of investments. During the year ended March 31, 2020, we generated cash of $8,138 due primarily to the maturity of investments.

Financing activities

During the year ended March 31, 2021, the Corporation's financing activities provided cash totaling $59,490 due to proceeds from the sale of shares under the "at-the-market", or ATM, program, compared to cash generated of $13,183 due to proceeds from the sale of shares under the "at-the-market" and exercise of warrants, net of repayment of convertible debentures of $1,556 during the year ended March 31, 2020.

On June 29, 2020, we filed a registration statement on Form S-3 with the SEC to register up to US $200 million of common shares, warrants and units that may be offered and sold by us from time to time (the "Registration Statement"). The Registration Statement was declared effective by the SEC on July 7, 2020.

ATM Program

On February 14, 2019, the Corporation entered into an "at-the-market" (ATM) sales agreement with B. Riley FBR, Inc. ("B. Riley") pursuant to which the Common Shares may be sold from time to time for aggregate gross proceeds of up to $30 million, with sales only being made on the NASDAQ Stock Market. The Common Shares would be issued at market prices prevailing at the time of the sale and, as a result, prices may vary between purchasers and during the period of distribution. The ATM has a 3-year term and requires the Corporation to pay between 3% and 4% commission to B. Riley based on volume of sales made. On June 29, 2020, the Corporation entered into an amended and restated sales agreement (the Sales Agreement) with B. Riley, Oppenheimer& Co. Inc. and H.C. Wainwright & Co., LLC (collectively, the "Agents") to amend the existing ATM program. Under the terms of the Sales Agreement, the Corporation may issue and sell from time to time its common shares having an aggregate offering price of up to US $75,000,000 through the Agents. Subject to the terms and conditions of the Sales Agreement, the Agents will use their commercially reasonable efforts to sell the common shares from time to time, based upon the Corporation's instructions. The Corporation has no obligation to sell any of the common shares and may at any time suspend sales under the Sales Agreement. The Corporation and the Agents may terminate the Sales Agreement in accordance with its terms. Under the terms of the Sales Agreement, the Corporation has provided the Agents with customary indemnification rights and the Agents will be entitled to compensation, at a commission rate equal to 3.0% of the gross proceeds from each sale of the common shares. As at March 31, 2021, a total of 117.7 million common shares (March 31, 2020 – 4.1 million common shares) were sold for total net proceeds of approximately $59.3 million (March 31, 2020 - $7.0 million) under the ATM program. Commission, legal and costs related to share sale amounted to $2.0 million (March 31, 2020 - $291). The shares were sold at the prevailing market prices, which resulted in an average price of approximately $0.52 per share (March 31, 2020 - $1.79 per share). Accordingly, proportional costs of $18 related to the common shares sold, have been reclassified from deferred financings costs to equity (March 31, 2020 - $40). Total costs incurred to register the Sales Agreements were initially recorded as deferred financing costs in the Consolidated Balance Sheet. As at March 31, 2021, the remaining balance of the costs incurred of $264 were written off to financing expenses.

Financial Position

The following table details the significant changes to the statements of financial position as at March 31, 2021, compared to the prior fiscal year end at March 31, 2020:

Accounts	Increase (Decrease) $	Comments
Cash and cash equivalents	36,702	See cash flow statement
Investments	9,789	Increase in cash available to invest
Receivables	(16)	Timing of reimbursement of sales taxes
Deferred financing costs	(121)	New costs, net of write off
Prepaid expenses	(634)	Expensing of insurance, impairment and other prepaid expenses
Other assets	(281)	Use of other assets in research and development activities and impairment
Equipment	(1,529)	Amortization & Impairment
Right of use asset	(61)	Adjustment to the net present value of lease contract for Sherbrooke
Intangible assets	(4,244)	Amortization and Impairment of license
Trade and other payables	(5,826)	Timing of payments net of accruals
Derivative warrant liabilities	2,826	Change in fair value of derivative warrants
Lease liability	(61)	Payment of lease liability

See the statement of changes in equity in our financial statements for details of changes to the equity accounts since March 31, 2020.

Treasury Operations

Our treasury policy is to invest cash that is not required immediately into instruments with an investment strategy based on capital preservation. Cash equivalents and marketable securities are primarily made in guaranteed investment certificates, term deposits and high-interest savings accounts, which are issued and held with Canadian chartered banks, highly rated promissory notes issued by government bodies and commercial paper. We hold cash denominated in both U.S. and CAD dollars. Funds received in U.S. dollars from equity financings are invested as per our treasury policy in U.S. dollar investments and converted to CAD dollars as appropriate to fulfill operational requirements and funding.

Impairment loss Intangible assets:

The Corporation tests intangible assets for impairment should circumstances change or events occur that would indicate that the fair value of an asset may be below its carrying value. During the second quarter of fiscal 2021, the Corporation released its topline TRILOGY 2 Phase 3 clinical trial results and the resulting decision to not file an NDA to obtain FDA approval for CaPre as a result of TRILOGY 2 not meeting its primary endpoint. As a result, a significant share price reduction occurred. Due to these indicators of impairment under ASC 350, the Corporation undertook an analysis to determine the fair value of its intangible asset this quarter.

In prior years, the Corporation entered into agreements with Neptune Wellness Solutions Inc. ("Neptune") pursuant to which the Corporation obtained a license and exercised its option under this license agreement to pay in advance all of the future royalties payable to Neptune. This license allows the Corporation to exploit the intellectual property rights in-order to develop novel active pharmaceutical ingredients into commercial products for the prescription drugs market. In assessing the magnitude of any impairment of the license the Corporation considered all available evidence including i) significant adverse impact from business climate due to the TRILOGY Phase 3 clinical programs failure to meet its primary endpoints, and the resulting decision to not file an NDA to obtain FDA approval for CaPre, and the resulting internal forecasts that no cash flows from the use of the license was possible, and (ii) management's estimate that a market place participant would place minimal to no value on the license if it were to be sold on its own or in combination with other assets, recognized or not, which is a level 3 measurement in the fair value hierarchy which included unobservable inputs. Accordingly, an impairment loss of $3,706 was recognized during the year ended March 31, 2021, which represents the totality of the intangible assets net book value prior to the impairment trigger. For the year ended March 31, 2021, amortization expense was $781 (2020 - $1,910) and was included in research and development expenses.

Assets held for sale

During the period the Corporation committed to a plan and is actively marketing for sale Other assets and Equipment and has met the criteria for classification of assets held for sale:

	March 31, 2021 $	March 31, 2020 $
Other assets	387	668
Equipment	381	1,910
	768	2,578

Other assets

Other assets represent krill oil (RKO) held by the Corporation that was expected to be used in the conduct of R&D activities and commercial inventory scale up related to the development and commercialization of the CaPre drug. Given that the development of CaPre will no longer be pursued, the Corporation is expected to sell this reserve. The other asset is being recorded at the fair value less costs to sell, which has resulted in an impairment loss of $413. Management's estimate of the fair value of the RKO less cost - to sell, is based primarily on estimated market prices obtained from an appraiser specialized in the krill oil market. These projections are based on Level 3 inputs of the fair value hierarchy and reflect management's best estimate of market participants' pricing of the assets as well as the general condition of the asset. The total impairment loss recognized, includes amounts paid for krill oil in advance, but not yet received and was recorded as a prepaid.

Equipment

March 31, 2021	Cost $	Accumulated depreciation $	Impairment loss $	Net book value $
Furniture and office equipment	17	(5)	-	12
Computer equipment	148	(30)	(54)	64
Laboratory equipment	756	(436)	(171)	149
Production equipment	2,538	(1,023)	(1,359)	156
	3,459	(1,494)	(1,584)	381

March 31, 2020	Cost $	Accumulated depreciation $	Net book value $
Furniture and office equipment	15	3	12
Computer equipment	64	18	46
Laboratory equipment	684	343	341
Production equipment	2,341	830	1,511
	3,104	1,194	1,910

For the year ended March 31, 2021, depreciation expense was $143 (2020 $410) and was included in research and development expenses.

Equipment is made up of laboratory, production, computer and office equipment that was utilized in the development of CaPre. Given that the development of CaPre will no longer be pursued by the Corporation, it is expected to sell this equipment. Similar, to how the intangible assets are treated, the announcement of the outcomes of the TRILOGY clinical trials resulted in an impairment trigger for the laboratory and production equipment. The impairment loss is based on management's estimate of the fair value of the equipment less cost -to sell, which is based primarily on estimated market prices obtained from brokers specialized in selling used equipment. These projections are based on Level 3 inputs of the fair value hierarchy and reflect the management's best estimate of market participants' pricing of the assets as well as the general condition of the assets.

Derivative warrant liabilities

The 10,188,100 warrants issued as part of our May 2018 public offering in Canada were recognized as derivative warrant liabilities with a fair value of $3,323. As of March 31, 2021, the derivative warrant liability for the remaining 6,593,750 warrants totaled $2,597, which represents the fair value of these warrants. The weighted average fair value of the warrants issued in the May 2018 public offering in Canada was determined to be CAD$0.39 per warrant at inception and approximately CAD$0.49 (USD $0.39) per warrant as at March 31, 2021.

On December 27, 2017, 9,801,861 warrants were issued as part of our U.S. public offering and recognized as derivative warrant liabilities. The December 2017 warrants are derivative warrant liabilities for accounting purposes due to the currency of the exercise price (US$) being different from our Canadian dollar functional currency. As of March 31, 2021, the derivative warrant liability for the remaining 7,072,962 warrants totaled $2,622 which represents the fair value of these warrants. The weighted average fair value of the 2017 warrants issued was determined to be CAD$0.60 per warrant at inception and approximately CAD$0.47 (USD $0.37) per warrant as at March 31, 2021.

The increase in the fair value of both existing derivative warrant liabilities as at March 31, 2021 is due to the decrease in our share price and the dilution factor.

During the year ended March 31, 2021, no warrants were exercised. In fiscal 2020, the following warrants were exercised with the resulting cash proceeds:

	March 31, 2020	
	Number exercised	Proceeds $
May 2018 over-allotment warrants 2018	3,594,350	3,567
December 2017 US public offering warrants 2017	2,676,611	3,373
Canadian public offering warrants February 2017	180,100	292
Canadian public offering broker warrants May 2018	325,000	257

Contingent warrants private placement 2017	150,000	217
	6,926,061	7,706

Contractual Obligations and Commitments

As at March 31, 2021, our liabilities totaled $6,744, of which $1,525 was due within 1 year, and $5,219 related to derivative warrant liabilities that are expected to be settled in common shares.

A summary of the contractual obligations at March 31, 2021, is as follows:

Contractual Obligations	Total	Less than 1 year	1-3 years	More than 3 years
	$	$	$	$
Trade and other payables	1,479	1,479	-	-
Operating lease obligations	86	86	-	-
RKO supply agreement	2,800	2,800	-	-
Total	4,365	4,365	-	-

Lease

On March 5, 2020, we renewed the lease agreement for our research and development and quality control laboratory facility located in Sherbrooke, Québec, resulting in an obligation of $160 over 24 months of the lease term. As at March 31, 2021, the remaining balance of the commitment amounted to $86.

RKO supply agreement

On October 25, 2019, we signed a supply agreement with Aker to purchase RKO for a committed volume of commercial starting material for CaPre at a fixed price for a total value of $3.1 million (take or pay). The delivery of the RKO has been established following a calendar year basis and it is expected to be completed in the 4th calendar quarter of 2021. As at March 31, 2021, the remaining balance of the commitment with Aker amounts to $2.8 million. There are no termination provisions within the supply agreement. Management is currently assessing whether the Corporation can recover any value from the raw krill oil product and given the uncertainty of recoverability, there is a risk that the Corporation may have a loss on this contract in the near term.

Financial advisor agreement

On September 23, 2020, we engaged Oppenheimer & Co., Inc, as our financial advisor to assist in the formal process to explore and evaluate strategic alternatives to enhance shareholder value. This arrangement includes fees of $1.2 million to be paid on the success of a strategic outcome.

Contingencies

We evaluate contingencies on an ongoing basis and establish loss provisions for matters in which losses are probable and the amount of the loss can be reasonably estimated.

Off-Balance Sheet Arrangements

As of the date of this annual report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Use of estimates and measurement of uncertainty

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

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

Estimates and assumptions include the measurement of derivative warrant liabilities (see note 10 of the consolidated financial statements), stock-based compensation (see note 14 of the consolidated financial statements), and impairment and recoverability of other assets – RKO (see note 7 of the consolidated financial statements). Estimates and assumptions are also involved in measuring the accrual of services rendered with respect to research and developments expenditures at each reporting date, are determining which research and development expenses qualify for research and development tax credits and in what amounts. We recognize the tax credits once we have reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

Critical Accounting Policies

Impairment of Long-Lived Assets

We review the recoverability of our long-lived assets and Assets held for sale whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount is first compared with the undiscounted cash flows. If the carrying amount is higher than the sum of undiscounted cash flows, then we determine the fair value of the underlying asset group. Any impairment loss to be recognized is measured as the difference by which the carrying amount of the asset group exceeds the estimated fair value of the asset group.

Measurement of Assets held for sale

Assets that are classified as held for sale are measured at the lower of their carrying amount or fair value less expected selling costs ("estimated selling price") with a loss recognized to the extent that the carrying amount exceeds the estimated selling price. The classification is applicable at the date upon which the sale of assets is probable, and the assets are available for immediate sale in their present condition. Assets once classified as held for sale, are not subject to depreciation or amortization and both the assets and any liabilities directly associated with the assets held for sale are classified as current in our Consolidated Balance Sheets. Subsequent changes to the estimated selling price of assets held for sale are recorded as gains or losses to the Consolidated Statements of Income wherein the recognition of subsequent gains is limited to the cumulative loss previously recognized.

Financial Instruments

Credit risk

Credit risk is the risk of a loss if a customer or counterparty to a financial asset fails to meet its contractual obligations. We have credit risk relating to cash, cash equivalents and marketable securities, which we manage by dealing only with highly rated Canadian institutions. The carrying amount of financial assets, as disclosed in the statements of financial position, represents our credit exposure at the reporting date.

Currency risk

We are exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates. Foreign currency risk is limited to the portion of our business transactions denominated in currencies other than the Canadian dollar. Fluctuations related to foreign exchange rates could cause unforeseen fluctuations in our operating results.

A portion of the expenses, mainly related to research contracts and salaries is incurred in U.S. dollars and in Euros, for which no financial hedging is in place. There is a financial risk related to the fluctuation in the value of the U.S. dollar and the Euro in relation to the Canadian dollar. In order to minimize the financial risk related to the fluctuation in the value of the U.S. dollar in relation to the Canadian dollar, funds which were part of U.S. dollar financings continue to be invested as short-term investments in the U.S. dollar.

Furthermore, a portion of our cash and cash equivalents and marketable securities are denominated in U.S. dollars, further exposing us to fluctuations in the value of the U.S. dollar in relation to the Canadian dollar.

The following table provides an indication of our significant foreign exchange currency exposures as stated in Canadian dollars at the following dates:

	March 31, 2021		March 31, 2020	
Denominated in	US $	Euro	US $	Euro
Cash and cash equivalents	58,176	-	5,694	-
Investments	9,475	-	-	-
Trade and other payables	(687)	(2,141)	(7,275)	(579)
	66,964	(2,141)	(1,581)	(579)

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

	March 31, 2021		March 31, 2020	
	Average	Reporting	Average	Reporting
CAD$ per US$	1.3212	1.2562	1.3120	1.4062
CAD$ per Euro	1.5409	1.4736	1.4789	1.5514

Based on our foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the U.S. dollar and Euro would have an increase (decrease) in net loss as follows, assuming that all other variables remain constant:

	March 31, 2021 $	March 31, 2020 $
Increase (decrease) in net loss	4,235	156

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

Our exposure to interest rate risk as at March 31, 2021 and March 31, 2020 is as follows:

Cash and cash equivalents	Short-term fixed interest rate
Investments	Short-term fixed interest rate

Our capacity to reinvest the short-term amounts with equivalent return will be impacted by variations in short-term fixed interest rates available on the market. Management believes the risk we will realize a loss as a result of the decline in the fair value of our short-term investments is limited because these investments have short-term maturities and are held to maturity.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure and financial leverage. We also manage liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves our operating budgets and reviews material transactions outside the normal course of business.

Our contractual obligations related to financial instruments and other obligations and liquidity resources are presented in the liquidity and capital resources of this MD&A.

Future accounting changes

The following new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2021, and have not been applied in

preparing our consolidated financial statements.

In June 2016, the Financial Accounting Standards Board, or FASB, issued ASU 2016-13-Financial Instruments-Credit Losses (Topic 326), which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost, the new guidance eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. ASU 2016-13 will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2022. Management has not yet evaluated the impact of this ASU on the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Information relating to quantitative and qualitative disclosures about market risks is detailed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.”

Item 8. Financial Statements and Supplementary Data

See our consolidated financial statements beginning on page F-1 of this annual report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this annual report, our management, with the participation of our CEO and chief financial officer (“CFO”), has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15 (e) and 15d-15(e) of the Exchange Act. Based upon this evaluation, our management has concluded that, as of March 31, 2021, our existing disclosure controls and procedures were effective. It should be noted that while the CEO and CFO believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect the disclosure controls and procedures to be capable of preventing all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management’s Report on Internal Controls over Financial Reporting

Our management, with the participation of our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of our financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management conducted an assessment of the design and operation effectiveness of our internal control over financial reporting as of March 31, 2021. In making this assessment, we used the criteria established within the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that, as of March 31, 2021, our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We are a non-accelerated filer under the Exchange Act and not required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. Therefore, this annual report does not include an attestation report of our registered public accounting firm regarding our management’s assessment of internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth information as of June 22, 2021 with respect to our directors:

Name	Age	Position(s) held within Acasti	In Office Since	Current Term to Expire
Directors				
Jan D’Alvise	66	President, Chief Executive Officer, Director and Corporate Secretary	June 2016	September 2021
Roderick N. Carter	57	Chairman of the Board	October 2015	September 2021
Jean-Marie (John) Canan	64	Director and Chairman of Audit Committee	July 2016	September 2021

Donald Olds	61	Director and Chairman of Governance and Human Resources Committee	April 2018	September 2021
Senior Management				
Jan D'Alvise	66	President, Chief Executive Officer, Director and Corporate Secretary	June 2016	-
Pierre Lemieux	56	Chief Operating Officer and Chief Scientific Officer	April 2010	-
Brian Ford	62	CFO	September 2020	-

The following is a brief biography of our current directors and senior management:

Jan D'Alvise

Ms. D'Alvise has extensive experience in the pharmaceutical, diagnostic, medical device, and drug discovery research segments of the healthcare industry, and has served as the president and CEO of Acasti since 2016. Prior to Acasti, Ms. D'Alvise was the President and Chairman of Pediatric Bioscience, a private company that was developing a diagnostic test for autism. Before that, she was the CEO of Gish Biomedical, a cardiopulmonary medical device company that she sold to the Sorin Group. Prior to Gish, Ms. D'Alvise was the CEO of the Sidney Kimmel Cancer Center (SKCC), a drug discovery research institute focused on translational medicine in oncology. Prior to SKCC, she was the Co- Founder/President/CEO/Chairman of NuGEN, Inc., and was also the Co-Founder and Executive VP/COO of Metrika Inc. Ms. D'Alvise built both companies from technology concept through to successful regulatory approvals, product introduction and sustainable revenue growth. Prior to Metrika, Ms. D'Alvise was a VP of Drug Development at Syntex/Roche and Business Unit Director of their Pain and Inflammation business, and prior to that, VP of Commercial Operations at SYVA, (Syntex's clinical diagnostics division). Ms. D'Alvise began her career with Diagnostic Products Corporation. Ms. D'Alvise has a B.S. in Biochemistry from Michigan Technological University. She has completed post-graduate work at the University of Michigan, Stanford University, and the Wharton Business School. In addition to Acasti, Ms. D'Alvise currently serves on the board and audit committee for Spectral Medical (EDT:TO) and is the Chairman of The ObG Project, Inc, a private company. She has previously served on the boards of numerous private companies and non-profits.

Dr. Roderick N. Carter

Dr. Carter has a strong history of contributions to healthcare through clinical, research, business, and people leadership. He has significant experience developing and commercializing nutraceutical and pharmaceutical products and has successfully led clinical research and business development strategies for cardiovascular and inflammation-related diseases. Dr. Carter is currently Principal at Aquila Life Sciences LLC, a consulting firm he founded in April 2008 focusing on pharmaceutical development and commercialization. Prior to this, he was Vice President of Clinical Development at Reliant Pharmaceuticals, which developed the omega-3 cardiovascular drug LOVAZA, and today is a wholly owned subsidiary of GlaxoSmithKline. He also served as Executive Director at Merck and Co., USA, President and Chief Executive Officer of WellGen and Senior Medical Director at Pfizer Inc., USA. Dr. Carter received his Medical Degree from the University of Witwatersrand, Johannesburg, along with a Master of Science degree in Sports Medicine from Trinity College, Dublin.

Jean-Marie (John) Canan

Mr. Canan is an accomplished business executive with over 34 years of strategic, business development and financial leadership experience. Mr. Canan recently retired from Merck & Co., Inc. where his last senior position was as Senior Vice-President, Global Controller, and Chief Accounting Officer for Merck from November 2009 to March 2014. He has managed all interactions with the audit committee of the Merck board of directors, while participating extensively with the main board and the compensation & benefits committee. Mr. Canan serves as a director of REV Group, a public company, where he chairs the audit committee and is the lead independent director. He also serves on the board of trustees of Angkor Hospital for Children Inc. Mr. Canan is a graduate of McGill University, Montreal, Canada, and is a Canadian Professional Accountant.

Donald Olds

Until May 2019, Mr. Olds was the President and Chief Executive Officer of the NEOMED Institute, a research and development organization dedicated to advancing Canadian research discoveries to commercial success. Prior to NEOMED, he was the Chief Operating Officer of Telesta Therapeutics Inc., a TSX-listed biotechnology company, where he was responsible for finance and investor relations, manufacturing operations, business development, human resources, and strategy. In 2016, he led the successful sale of Telesta to a larger public biotechnology company. Prior to Telesta, he was President and Chief Executive Officer of Presagia Corp., and Chief Financial Officer and Chief Operating Officer of Aegera Therapeutics, where he was responsible for clinical operations, business development, finance, and mergers and acquisitions. At both Telesta and Aegera, Mr. Olds was responsible for raising more than C$100 million in equity financing and leading regional and global licensing transactions with life sciences companies. Mr. Olds is currently lead director of Goodfood Market Corp, Chair of Aifred Health, lease director of Cannara Biotech Inc, and director of Presagia Corp. Since December 2019, Mr. Olds has also been the Chairman of the board of directors for Alfred Health Inc. He has extensive past corporate governance experience serving on the boards of private and public for-profit and not-for-profit organizations. He holds an MBA (Finance & Strategy) and M.Sc. (Renewable Resources) from McGill University.

Dr. Pierre Lemieux

Dr. Lemieux has been our Chief Operating Officer since April 12, 2010, and our Chief Scientific Officer since June 2018. Previously, Mr. Lemieux was CEO, Co-Founder and Chairman of BiolActis Inc. which he sold in 2009 to interests affiliated with the Nestlé multinational group. Mr. Lemieux joined Suprateck Pharma in 1999 as Director and Vice-President involved in the development of formulations for gene therapy on behalf of Rhone-Poulenc Rorer and Genzyme, which today are under the Sanofi banner. Prior to this, Mr. Lemieux was involved in the development of cardiovascular products at Angiotech Pharmaceuticals. Mr. Lemieux has a Ph.D. in biochemistry from Université Laval (Québec). He holds more than 16 patents and has authored over 50 publications. Mr. Lemieux's research was conducted at Université Laval as well as at the anti-cancer center Paul Papin D'Angers (France) and the University of Nottingham (England). His research focused on ovarian cancer and its treatment with monoclonal antibodies used to target cancer drugs. After completing his graduate studies, Mr. Lemieux joined the Oncology division of the Center for Health Research, University of Texas. He obtained a postdoctoral fellowship from the Susan G. Komen Foundation (Breast Cancer). Mr. Lemieux has served on the boards of BioQuébec, Montreal in vivo and PharmaBio Development.

Brian Ford

Mr. Ford has been our CFO since September 24, 2021. Prior to joining Acasti, Mr. Ford served both publicly traded as well as privately owned organizations. Mr. Ford has been responsible for developing business recovery strategies, negotiating M&A transactions, as well as managing quarterly and yearly accounting reports. In 2017 Mr. Ford started his own consulting firm, Petersford Consulting, where he provided clients with finance and business risk services. From 2017 to 2020, through his consulting firm, Mr. Ford served as Chief Financial Officer and Senior Business Advisor at a private group of Ontario based medical clinics, including the largest chronic pain management practice in Canada. Prior to that, Mr. Ford served as Chief Financial Officer at Telesta Therapeutics. At Telesta Therapeutics, Mr. Ford helped develop a new business plan and was heavily involved in all capital transactions Mr. Ford began his career in 1982 at Ernst & Young, working his way to Principal, Business Risk Services, developing essential business plans that evaluated revenue and cost profiles supporting budget planning and understanding drivers of growth, specifically with healthcare companies. Additionally, at Ernst & Young, Mr. Ford participated in and often led teams in due diligence assignments in relation to mergers and acquisitions or the sale of a business, having extensive experience in developing financial forecasts, product and market valuation, and audits of critical accounting and processes. Mr. Ford holds a B.A. in Economics, History, and English from the University of Guelph and has a Graduate Diploma in Accounting from the University of McGill. Mr. Ford is a member of the Ontario Institute of Chartered Accountants.

Family Relationships

There are no family relationships between any directors or officers of the Company.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires directors, executive officers, and shareholders owning more than 10% of any class of a company's outstanding equity shares to file reports of ownership and changes of ownership with the SEC. As of April 1, 2020, we are required to comply with Section 16(a) because we are no longer eligible to rely upon foreign private issuer exemptions under U.S. securities laws and NASDAQ's corporate governance rules.

Based solely upon its review of the copies of such forms it received, or written representations from certain reporting persons for whom no such forms were required, we are aware of no late Section 16(a) filings.

Code of Business Conduct and Ethics

Please see the section entitled "Code of Business Conduct and Ethics" in "Item 13. Certain Relationships and Related Transactions and Director Independence."

Audit Committee

Our audit committee is responsible for assisting the board of directors in fulfilling its oversight responsibilities with respect to financial reporting, including:

- reviewing our procedures on overall financial reporting and internal control framework.
- reviewing and approving the engagement of the auditor.
- reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including our annual information form and management's discussion and analysis.
- assessing our financial and accounting personnel.
- assessing our accounting policies.
- reviewing our risk management procedures; and
- reviewing any significant transactions outside our ordinary course of business and any pending litigation involving us.

The audit committee has direct communication channels with our management performing financial functions and our external auditor, to discuss and review such issues as the audit committee may deem appropriate. As of March 31, 2021, the audit committee was composed of Mr. Canan, as chairperson, Dr. Carter, and Mr. Olds. Each of Mr. Canan, Dr. Carter and Mr. Olds is "financially literate" and "independent" within the meaning of the Exchange Act. As of the date of this annual report, the composition of the audit committee remains the same as at March 31, 2021.

Audit Committee Financial Expert

Our board of directors has determined that Mr. Canan is the "audit committee financial expert", as defined by applicable regulations of the SEC. The SEC has indicated that the designation of Mr. Canan as an audit committee financial expert does not make him an "expert" for any purpose, impose any duties, obligations or liability on Mr. Canan that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Item 11. Executive Compensation

Summary of our Compensation Programs

Our executive compensation program is intended to attract, motivate and retain high-performing senior executives, encourage and reward superior performance, and align the executives' interests with ours as well as shareholders by providing compensation that is competitive with the compensation received by executives employed by comparable companies, and ensuring that the achievement of annual objectives is rewarded through the payment of bonuses, and providing executives with long-term incentive through the grant of stock options.

Our governance and human resources committee, or GHR committee, has authority to retain the services of independent compensation consultants to advise its members on executive and board compensation and related matters, and to determine the fees and the terms and conditions of the engagement of those consultants. During our fiscal year ended March 31, 2021, the GHR committee retained compensation consulting services from FW Cook to review our executive compensation programs, including base salary, short-term and long-term incentives, total cash compensation levels and total direct compensation of certain senior positions, against those of peer groups of similar and larger size, as measured by market capitalization, biotechnology and pharmaceutical companies listed or headquartered in North America. The consultants also reviewed board compensation, including advisory fees and equity incentives. All of the services provided by the consultants were provided to the GHR committee. The GHR committee assessed the independence of the consultants and concluded that its engagement of the consultants did not raise any conflict of interest with us or any of our directors or executive officers.

Compensation for our CEO was below the peer company median following FW Cook's review during fiscal period 2020.

Use of Fixed and Variable Pay Components

Compensation of our named executive officers, or NEOs, is revised each year and has been structured to encourage and reward executive officers on the basis of short-term and long-term corporate performance. In the context of its analysis of compensation for our fiscal year ended March 31, 2021, the following components were examined by the GHR committee:

- base salary;
- short term incentive plan, consisting of a cash bonus;

- long term incentive plan, consisting of stock options and equity incentive grants based on performance and/or time vesting conditions; and
- other elements of compensation, consisting of group benefits and perquisites.

Base Salary

We intend to be competitive over time, with comparator companies and to attract and retain top talent. The GHR committee reviews compensation periodically to be sure that it meets this strategic imperative. Base salary is set to reflect an individual's skills, experience, and contributions within a salary structure consistent with peer group data, and with our gender pay equity policy. Base salary structure is revised annually by the GHR committee as our financial and market conditions evolve.

Retention Agreements

In connection with our strategic review process and upon the recommendation of our Governance and Human Resources Committee, in October 2020 we entered into retention incentive agreements with Ms. Jan D'Alvise, our President and CEO, and Mr. Pierre Lemieux, our Chief Operating Officer ("COO") and Chief Scientific Officer (the "**Retention Agreements**").

The Retention Agreements provide that we will pay Ms. D'Alvise an employment retention incentive of $100,000 provided that she remains employed with the Corporation until the earlier of April 30, 2021, or the closing of a merger or like transaction with a third party. This amount is also payable by the Corporation to Ms. D'Alvise in the event of the termination of her employment without cause prior to the achievement of such milestones.

Mr. Lemieux was also awarded and paid a $25,000 retention bonus in April 2021.

In addition, the Retention Agreements also provide that we will pay each of Ms. D'Alvise and Mr. Lemieux an amount of up to $125,000 in the event that certain milestones are met in relation to the monetization by the Company of its assets relating to CaPre. A minimum amount of $75,000 is also payable by the Corporation to each of Ms. D'Alvise and Mr. Lemieux in the event of the termination of their employment without cause prior to the achievement of such milestones.

Short Term Incentive Plan (STIP)

Our Short-Term Incentive Plan, or STIP, provides for potential rewards when a threshold of corporate performance is met. Personal objectives that support corporate goals are established annually with each employee and are assessed at the end of each financial year. Personal objectives are assessed through a performance grid, with pre-specified, objective performance criteria. STIP awards are paid out in proportion to overall company performance which establishes the STIP pool, and individual performance, which is determined in end-of-year performance reviews. For the most senior participants in the STIP, greater weight is assigned to corporate objectives. Target payout is expressed as a percentage of base salary, and is determined by benchmarking against peer group data, and board discretion. Annual salary for STIP purposes is the annual salary in effect at the end of the plan year (i.e., prior to any annual salary increases awarded for the subsequent year).

The STIP is a discretionary variable compensation plan, and all STIP payments are subject to board approval. Participants must be employed by us at the end of the financial year to qualify. We reserve the right to modify or discontinue the STIP at any time.

Ms. D'Alvise, our CEO, is eligible for up to a 50% bonus of her annual base salary. Dr. Lemieux, our COO, is eligible for up to a 40% bonus of their annual base salary.

These performance goals will take into account the achievement of corporate milestones within timelines and budget and individual objectives determined annually by the board according to short-term priorities.

Long Term Incentive Plan (LITP)

The LTIP has been adopted as a reward and retention mechanism. Participation is determined annually at the discretion of the board. Employees approved by our board of directors may participate in our stock option plan, which is designed to align the long-term interests of participants with those of shareholders, in order to promote shareholder value. The GHR committee may also determine, in its sole discretion, *ad hoc* stock option awards to be granted to participants in order to address extraordinary situations. Awards at any level may be adjusted as necessary to maintain an equity burn rate and overhang similar to comparator companies. In addition to our stock option plan, the board is also empowered to grant *ad hoc* awards, from time to time, under our equity incentive plan to provide for a share-related mechanism to attract, retain and motivate qualified directors, senior employees, and consultants.

The GHR committee determines the number of stock options to be granted to a participant based on peer group data and taking into account corporate performance and the employee's level in the organization. The LTIP calculation for NEOs is determined from both reviewing grant values and a dilution-based methodology that considers the annual grant rate as a percent of shares outstanding. The board did not award stock option grants for FY'21.

Our directors and executive officers are not permitted to purchase financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the director or officer.

Share Ownership Guidelines

To further align the interests of our executives and board members with those of our other shareholders, the board has adopted share ownership guidelines. Under these guidelines, non-employee directors, the CEO, and other executives (i.e., CFO, COO, VPs) are required to retain and hold 50% of the shares acquired by them under any equity incentive award granted on or after June 7, 2017 (after subtracting shares sold to pay for option exercise costs, and relevant federal, state, and local taxes which are assumed to be at the highest marginal tax rates). In addition, the share retention rule applies unless the executive or non-employee director beneficially owns shares with a value at or in excess of the following share ownership guidelines:

- Non-employee directors — 2x then-current total annual cash retainer
- CEO — 2x then-current annual base salary
- Other executives — 1x then-current annual base salary.

The value of an individual's shares for purposes of the share ownership guidelines is deemed to be the greater of the then- current fair market value of the shares, or the individual's cost basis in the shares. Shares counted in calculating the share ownership guidelines include shares beneficially owned outright, whether from open market purchases, shares retained after option exercises, and shares of restricted stock or deferred stock units that have fully vested. In addition, in the case of vested, unexercised, in-the-money stock options, the in-the-money value of the stock options will be included in the share ownership calculation. Executives have five years from their date of hire or promotion to satisfy the share ownership guidelines.

Stock Option Plan

Our stock option plan was adopted by our board of directors on October 8, 2008, and has been amended from time to time, as most recently amended on September 30, 2020, and approved by shareholders on September 30, 2020. The grant of options is part of the long-term incentive component of executive and director compensation and an essential part of compensation. Qualified directors, employees and consultants may participate in our stock option plan, which is designed to encourage option holders to link their interests with those of our shareholders, in order to promote an increase in shareholder value. Awards and the determination of any exercise price are made by our board of directors, after recommendation by the GHR committee. Awards are established, among other things, according to the role and responsibilities associated with the participant's position and his or her influence over appreciation in shareholder value. Any award grants a participant the right to purchase a certain number of common shares during a specified term in the future, after a vesting period and/or specific performance conditions, at an exercise price equal to at least 100% of the market price (as defined below) of our common shares on the grant date. The "market price" of common shares as of a particular date generally means the highest closing price per common share on the TSXV, NASDAQ, or any other exchange on which the common shares are listed from time to time, for the last preceding date on which there was a sale of common shares on that exchange (subject to certain exceptions set forth in the stock option plan in the event that we are no longer traded on any stock exchange). Previous awards may sometimes be taken into account when new awards are considered.

In accordance with the stock option plan, all of an option holder's options will immediately fully vest on the date of a Change of Control event (as defined in the stock option plan), subject to the terms of any employment agreement or other contractual arrangement between the option holder and us.

However, in no case will the grant of options under the plan, together with any proposed or previously existing security based compensation arrangement, result in (in each case, as determined on the grant date): the grant to any one consultant within any 12-month period, of options reserving for issuance a number of common shares exceeding in the aggregate 2% of our issued and outstanding common shares (on a non-diluted basis); or the grant to any one employee, director and/or consultant, which provides investor relations services, within any 12-month period, of options reserving for issuance a number of common shares exceeding in the aggregate 2% of our issued and outstanding common shares (on a non-diluted basis).

Options granted under the stock option plan are non-transferable and are subject to a minimum vesting period of 36 months for management, and 18 months for non-executive board members, in each case with gradual and equal vesting on no less than a quarterly basis. They are exercisable, subject to vesting and/or performance conditions, at a price equal to the highest closing price of the common shares on the TSXV, NASDAQ, or any other exchange on which the common shares are listed from time to time, on the day prior to the grant of such options. In addition, and unless otherwise provided for in the agreement between us and the holder, options will also lapse upon termination of employment or the end of the business relationship with us except that they may be exercised for 90 days after termination, ceasing to hold office or the end of the business relationship (30 days for investor relations services employees), in each case to the extent that they will have vested on such date of termination of employment, end of the business relationship or ceasing to hold office, as applicable, except in the case of death, disability or retirement where this period is extended to 12 months.

Subject to the approval of relevant regulatory authorities, including the TSXV, NASDAQ, if applicable, and compliance with any conditions attached to that approval (including, in certain circumstances, approval by disinterested shareholders) if applicable, the board of directors has the right to amend or terminate the stock option plan. However, unless option holders' consent to the amendment or termination of the stock option plan in writing, any such amendment or termination of the stock option plan cannot affect the conditions of options that have already been granted and that have not been exercised under the stock option plan.

Options for common shares representing a fixed rate of 15% of our outstanding issued common shares as of August 26, 2020, may be granted by the board under the stock option plan. As of the date of this annual report, there were 14,533,881 common shares reserved for issuance under the stock option plan and 7,294,919 options outstanding under the stock option plan.

Equity Incentive Plan

On May 22, 2013, our equity incentive plan was adopted by the board in order to, among other things, provide us with a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants. The adoption of the equity incentive plan was initially approved by shareholders at our 2013 Shareholders' meeting held on June 27, 2013, and has been amended from time to time, as most recently amended on August 27, 2020, and approved by shareholders on September 30, 2020.

Eligible persons may participate in the equity incentive plan. "Eligible persons" under the equity incentive plan consist of any director, officer, employee, or consultant (as defined in the equity incentive plan) of our Company or a subsidiary who may participate in the equity incentive plan. A participant is an eligible person to whom an award has been granted under the equity incentive plan. The equity incentive plan provides us with the option to grant to eligible persons bonus shares, restricted shares, restricted share units, performance share units, deferred share units and other share-based awards.

If, and for so long as our common shares are listed on the TSXV, no more than 2% of the issued and outstanding common shares may be granted to any one consultant or employee conducting investor relations activities in any 12-month period.

The board has the right to determine that any unvested or unearned restricted share units, deferred share units, performance share units or other share-based awards or restricted shares subject to a restricted period outstanding immediately prior to the occurrence of a change in control will become fully vested or earned or free of restriction upon the occurrence of a change in control. The board may also determine that any vested or earned restricted share units, deferred share units, performance share units or other share-based awards will be cashed out at the market price as of the date a change in control is deemed to have occurred, or as of such other date as the board may determine prior to the change in control. Further, the board has the right to provide for the conversion or exchange of any restricted share unit, deferred share unit, performance share unit or other share-based award into or for rights or other securities in any entity participating in or resulting from the change in control.

The equity incentive plan is administered by the board and the board has sole and complete authority, in its discretion, to determine the type of awards under the equity incentive plan relating to the issuance of common shares (including any combination of bonus shares, restricted share units, performance share units, deferred share units, restricted shares or other share-based awards) in such amounts, to such persons and under such terms and conditions as the board may determine, in accordance with the provisions of the equity incentive plan and the recommendations made by the GHR committee.

Subject to the adjustment provisions provided for in the equity incentive plan and the applicable rules and regulations of all regulatory authorities to which we are subject (including any stock exchange), the total number of common shares reserved for issuance pursuant to awards granted under the equity incentive plan will be equal to a number that (A) if, and for so long as the common shares are listed on the TSXV, will not exceed the lower of (i) 1,953,318 common shares, and (ii) 15% of the issued and outstanding common shares, which as of April 9, 2019, representing 11,719,910 common shares, which includes common shares issuable pursuant to options issued under our stock option plan.

Other Forms of Compensation

Retirement Plans. Effective June 1, 2016, we sponsor a voluntary Registered Retirement Savings Plan, or RRSP, matching program, which is open to all eligible employees, including NEOs who reside in Canada. The RRSP matching program matches employees' contributions up to a maximum of $1,500 per fiscal year for eligible employees who participate in the program. Effective January 1, 2019, a 401K plan was implemented for US employees. Because of the small size of our current employee population in the US and to assure passage of anti-discrimination testing, the 401K administrator, TransAmerica, required either a 4% match or a 3% "safe harbor" contribution. Balancing cost considerations with a plan design that is both externally competitive and internally equitable, Acasti adopted the "safe harbor" provision which provides a contribution of 3% of salary to the 401K accounts of all eligible US employees, including NEOs who reside in the US.

Other Benefits and Perquisites. Our executive employee benefit program also includes life, medical, dental and disability insurance. These benefits and perquisites are designed to be competitive overall with equivalent positions in comparable organizations. We do not have a pension plan for employees.

Compensation Governance

Compensation of our executive officers and directors is recommended to the board of directors by the GHR committee. In its review process, the GHR committee informally reviews executive and corporate performance on a quarterly basis, with input from management. Annually, the GHR committee conducts a more formal review and assessment of executive and corporate performance. During the fiscal year ended March 31, 2021, the GHR committee was composed of the following members, each of whom is independent: Mr. Olds (Chairman), Dr. Carter, and Mr. Canan. The GHR committee establishes management compensation policies and oversees their general implementation. All members of the GHR committee have direct experience, which is relevant to their responsibilities as GHR committee members. All members are or have held senior executive or director roles within significant businesses in our industry, several also having public companies experience, and have a good financial understanding which allows them to assess the costs versus benefits of compensation plans. The GHR committee's members combined experience in our sector provides them with a good understanding of our success factors and risks, which is very important when determining metrics for measuring success.

Risk management is a primary consideration of the GHR committee when implementing its compensation program. We do not believe that our compensation program results in unnecessary or inappropriate risk taking, including risks that are likely to have a material adverse effect on us. Payments of bonuses, if any, are not made unless performance goals are met.

For executives, more than half of their target compensation (base salary + target STIP awards + target LTIP awards) is considered "at risk". We believe this mix results in a strong pay-for-performance relationship and alignment with shareholders and is competitive with other firms of comparable size in similar fields. The CEO (or any person acting in that capacity) makes recommendations to the GHR committee as to the compensation of our executive officers, other than herself for review and approval by the board. The GHR committee makes recommendations to the board of directors as to the compensation of the CEO, for approval. The CEO's salary is based on comparable market consideration, and the GHR committee's assessment of her performance, with regard to our financial performance, and progress in achieving key strategic business goals.

Qualitative factors beyond the quantitative financial metrics are also a key consideration in determination of individual executive compensation payments. How executives achieve their financial results and demonstrate leadership consistent with our values are key to individual compensation decisions.

Compensation Paid to Named Executive Officers

The following table sets forth the compensation information for our principal executive officers, and our most highly paid executive officers, during the fiscal years ended March 31, 2021, and 2020, respectively.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)[1] [2]	Nonequity Incentive Plans ($)	All Other Compensation ($)	Total Compensation ($)
Jan D'Alvise	March 31, 2021	428,040	-	-	-	-	-	428,040
President and CEO	March 31, 2020	410,703	154,781	-	1,620,863	-	-	2,186,347
Pierre Lemieux	March 31, 2021	276,377	-	-	-	-	-	276,377
COO	March 31, 2020	264,128	80,018	-	603,458	-	-	947,604
Brian Ford[3]	March 31, 2021	190,605	-	-	-	-	-	190,605
CFO	March 31, 2020	-	-	-	-	-	-	-
Brian Groch[4]	March 31, 2021	229,680	-	-	-	-	-	229,680
Former CCO	March 31, 2020	289,615	87,000	-	357,461	-	-	734,106

Notes:

(1) The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of parameters, including share price, share exercise price, expected share price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside of our control
(2) The fair value of the option-based awards granted on March 31, 2020, was CAD$0.41.
(3) Mr.Ford was appointed our CFO September 24, 2020.
(4) Departure of Brian Groch, Chief Commercial Officer, from his position with the Corporation effective December 31, 2020

Outstanding Equity Awards at March 31, 2021

The following tables provide information about the number and value of the outstanding option-based awards held by the NEOs as of March 31, 2021.

	Option awards				
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($) (1)	Option expiration date
	525,000	–	–	$ 1.56	May 12, 2023
	258,000	–	–	$ 1.77	June 14, 2027
Jan D'Alvise	172,000	–	–	$ 1.77	June 14, 2027
	830,000	75,521	75,521	$ 0.77	July 2, 2028
	150,733	75,367	75,367	$ 1.28	April 15, 2029

	514,600	257,300	275,300	$	1.28	April 15, 2029
	445,500	890,000	890,000	$	0.53	March 31, 2030
	16,900	–	–	$	4.50	June 1, 2022
	31,400	–	–	$	1.99	May 30, 2023
	50,000	–	–	$	1.65	February 24, 2027
Pierre Lemieux	93,000	–	–	$	1.77	June 14, 2027
	62,000	–	–	$	1.77	June 14, 2027
	335,055	30,460	30,460	$	0.77	July 2, 2028
	52,867	59,475	59,475	$	1.28	April 15, 2029
	180,467	203,025	203,025	$	1.28	April 15, 2029
	195,667	587,000	587,000	$	0.53	March 31, 2030

Notes:

(1) Canadian dollars.

Employment Agreements with Named Executive Officers

Jan D'Alvise, President and CEO

On May 11, 2015, we entered into an executive employment agreement with Ms. D'Alvise. Pursuant to her executive employment agreement, Ms. D'Alvise's annual base salary was set at $330,000 and she is eligible to receive annual performance bonuses based on target amount of 40% of her annual base salary with a maximum of up to 80% of her annual base salary. In accordance with the terms and provisions of the executive employment agreement we entered into with Ms. D'Alvise, we may terminate the executive's employment at any time for "good and sufficient cause", as defined in the employment agreement, without notice or severance. We may terminate the executive's employment at any time without cause or upon a change of control, as defined in our Stock Option Plan, by providing the executive with sixty days' notice of termination and payment equal to twelve months' base salary plus any bonus payable. The executive may decide to resign from employment and must provide us with at least sixty days' advance written notice. The executive may decide to terminate employment with "good reason", as defined in the employment agreement, and we are required to make payment equal to twelvemonths' base salary plus any bonus payable.

Pierre Lemieux, COO

On September 26, 2017, we entered into an executive employment agreement with Dr. Lemieux. Pursuant to his executive employment agreement, Dr. Lemieux's annual base salary was set at CAD$253,700 and he is eligible to receive annual performance bonuses of up to 40% of his annual base salary. In accordance with the terms and provisions of the executive employment agreement we entered into with Dr. Lemieux, we may terminate the executive's employment at any time for "good and sufficient cause", as defined in the employment agreement, without notice or severance. We may terminate the executive's employment at any time without cause or upon a change of control, as defined in our Stock Option Plan, by providing the executive with thirty days' notice of termination and payment equal to twelve months' base salary plus any bonus payable. The executive may decide to resign from employment and must provide us with at least sixty days' advance written notice. The executive may decide to terminate employment with "good reason", as defined in the employment agreement, and we are required to make payment equal to twelve months of base salary.

Brian Ford, CFO

On September 14, 2021, we entered into a consulting agreement with PFC Business Advisory Services Inc., an entity through which Mr. Ford provides consulting services (the "Consulting Agreement"). The Consulting Agreement provides, among other things, that Mr. Ford will serve as a non-employee Chief Financial Officer on a full-time basis, in exchange for a fee of CAD$36,000 per month. There is no arrangement or understanding between Mr. Ford and any other persons pursuant to which Mr. Ford was selected as an officer.

Compensation of Directors

Our directors' compensation consists of an annual fixed compensation of $60,000 for the chairman of the board and $30,000 for the other non-executive board members. In addition, the chairperson of the audit committee and the chairperson of the governance and human resources committee receive additional compensation of $15,000 and $10,000, respectively, while members of the audit committee and the governance and human resources committee receive additional compensation of $7,500 and $5,000, respectively. The directors are also entitled to a fee of $1,000 per non-regularly scheduled board meeting as well as a reimbursement for travelling and other reasonable expenses properly incurred by them in attending meetings of the board or any committee or in otherwise serving us, in accordance with our policy on travel and expenses.

Following their first election to our board of directors, non-executive directors are eligible to receive an initial equity grant of up to 150% of their annual cash retainer worth of stock options vesting monthly in equal installments over a 12-month period, subject to the other terms and conditions set forth under the heading "Stock Option Plan". In addition to their initial grant, non-executive directors are eligible to receive an annual equity-based award equal to 100% of their total annual cash retainer vesting monthly in equal installments over a 12-month period. These awards will be granted at the same time that we are performing our annual performance review for our employees, subject to availability of common shares and subject to the terms and conditions described under the headings "Stock Purchase Plan" and "Equity Incentive Plan". The level of these awards will be consistent with equivalent awards in comparable companies obtained from the benchmark exercise and in accordance with the recommendations obtained from our independent compensation consultant.

The total compensation for our non-executive directors during fiscal year ended March 31, 2021, was as follows:

Name	**Fees earned or paid in cash ($)**	**Stock awards ($)**	**Option awards ($)**	**Non-equity incentive plan compensation ($)**	**Nonqualified deferred compensation earnings ($)**	**All other compensation** ($)	**Total** ($)
Roderick N. Carter	106,500	–	-	–	–	–	106,500
Jean-Marie (John) Canan	84,000	–	-	–	–	–	84,000

Donald Olds	81,500	–	-	–	–	–	81,500

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Equity Compensation Plan Information

The following table sets forth certain information regarding the Company's equity compensation plans as of March 31, 2021:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (Stock Option Plan)(1):	7,294,919	CAD$1.04	6,896,271
Equity compensation plans approved by security holders (Equity Incentive Plan)(2):	–	$–	–
Equity compensation plans not approved by security holders (Stock Option Plan):	–	$–	–
Equity compensation plans not approved by security holders (Equity Incentive Plan):	–	$–	–
Total	7,294,919	CAD$1.04	6,896,271

Notes:
(1) A summary of certain material provisions of the Company's Stock Option Plan is available under "Item 11. Executive Compensation – Summary of our Compensation Programs – Stock Option Plan".
(2) The total number of common shares reserved for issuance under the Company's Equity Incentive Plan is limited by the number of options that are outstanding under the Stock Option Plan such that the total number of common shares available for issuance under both stock-based compensation plans shall not exceed 11,719,910. A summary of certain material provisions of the Company's Equity Incentive Plan is available under "Item 11. Executive Compensation – Summary of our Compensation Programs – Equity Incentive Plan".

Security ownership of certain beneficial owners

The following table sets forth certain information regarding beneficial ownership of our common shares as of May 31 2021, by each director and the executive officer identified above, and all directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. All common shares are common shares with the same voting rights.

For the purposes of calculating percent ownership, as of May 31, 2021, 208,375,505 common shares were issued and outstanding, and, for any individual who beneficially owns shares represented by options exercisable within sixty days of May 31, 2021, these shares are treated as if outstanding for that person, but not for any other person.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percentage of Common Shares
Jan D'Alvise	2,948,560 (2)	1.4%
Roderick N. Carter	505,577 (3)	*
Jean-Marie (John) Canan	383,983 (4)	*
Donald Olds	226,200 (5)	*
Pierre Lemieux	1,024,353 (7)	*
Directors and officers as a group (5 persons)	**3,392,655**	**2.4%**

* Less than 1%.
Notes:
(1) Unless otherwise indicated, the address of each of the executive officers and directors named above is 3009 boul. de la Concorde East, Suite 102, Laval, Québec, Canada H7E 2B5
(2) Includes 2,896,060 common shares that Jan D'Alvise may acquire through the exercise of share options within 60 days hereof.
(3) Includes 505,577 common shares that Roderick N. Carter may acquire through the exercise of share options within 60 days hereof.
(4) Includes 283,983 common shares that Jean-Marie (John) Canan may acquire through the exercise of share options within 60 days hereof.
(5) Includes 188,200 common shares that Donald Olds may acquire through the exercise of share options within 60 days hereof. Includes 38,000 common shares held and controlled by Mr. Olds' spouse, Ofra Aslan.
(7) Includes 1,017,356 common shares that Pierre Lemieux may acquire through the exercise of share options within 60 days hereof.

To the best of our knowledge, there are no beneficial owners of 5% or more of any class of our voting securities.

Changes in Control

There existed no change in control arrangements at March 31, 2021.

Item 13. Certain Relationships and Related Transactions and Director Independence

Related Transactions

None.

Director Independence

Our board of directors believes that, in order to maximize its effectiveness, the board must be able to operate independently. A majority of directors must satisfy the applicable tests of independence, such that the board of directors complies with all independence requirements under applicable corporate and securities laws and stock exchange requirements applicable to us. No director will be independent unless the board of directors has affirmatively determined that the director has no material relationship with us or any of our affiliates, either directly or indirectly or as a partner, shareholder or officer of an organization that has a relationship with us or our affiliates. Such determinations will be made on an annual basis and, if a director joins the board of directors between annual meetings, at such time.

Independent Directors

The board of directors determined that Mr. Canan, Dr. Carter, and Mr. Olds are independent within the meaning of NI 52-110 and NASDAQ Stock Market rules.

Directors Who are Not Independent

The board of directors determined that Ms. D'Alvise is not independent within the meaning of NI 52-110 and NASDAQ Stock Market rules given that she is our President and Chief Executive Officer.

During the fiscal year ended March 31, 2021, the board of directors held 3 special meetings for independent directors.

All directors were in attendance for each regularly scheduled quarterly and annual meeting of the Board.

Chairman of the Board

Dr. Carter acts as chairman of the board. His duties and responsibilities consist of the oversight of the quality and integrity of the board of directors' practices.

Board Mandate

The board of directors is responsible for overseeing management in carrying out the business and affairs of the Company. Directors are required to act and exercise their powers with reasonable prudence in the best interests of the Company. The board agrees with and confirms its responsibility for overseeing management's performance in the following particular areas:

- approving and monitoring the Company's compliance procedures;
- establishing and developing of the Company's corporate governance principles and committees;
- evaluating the strategic plan of the Company;

- identification and oversight of the principal risks associated with the business of the Company and application of appropriate systems to manage and mitigate such risks;
- planning for succession of management;
- the Company's policies regarding communications with its shareholders and others; and
- the integrity of the internal controls and management information systems of the Company.

In carrying out its mandate, the board relies primarily on management to provide it with regular detailed reports on the operations of the Company and its financial position. The board reviews and assesses these reports and other information provided to it at meetings of the board and/or of its committees. At least annually, the board approves a strategic plan for the Company taking into account, among other things, the opportunities and risks of the Company's business, its risk appetite, emerging trends, and the competitive environment in the industry.

Position Descriptions

Written position description has been approved for the chairs of each committee of the board of directors. The primary role and responsibility of the chair of each committee of the board of directors is to: (i) in general, ensure that the committee fulfills its mandate, as determined by the board of directors and in accordance with the committee's charter; (ii) chair meetings of the committee; (iii) report to the board of directors; and (iv) act as liaison between the committee and the board of directors and our management.

The board of directors has adopted a written position description for the chairman of the board of directors.

Chairman of the Board

The chairman of the board of directors is responsible for leading the board to fulfill its duties under the board's mandate as independent of management and acting as an advisor to the chief executive officer.

The chairman's duties include, but are not limited to, setting meeting agendas, approving, and supervising management's progress towards achieving strategic goals, chairing meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee and the board of directors. The chairman must oversee that the relationship between the board of directors, management of the Company, the Company's shareholders and other stakeholders are effective, efficient, and further to the best interests of the Company.

Orientation and Continuing Education

We provide orientation for new appointees to the board of directors and committees in the form of informal meetings with members of the board and senior management, complemented by presentations on the main areas of our business. The board does not formally provide continuing education to its directors, as directors are experienced members. The board of directors relies on third party professional assistance, when judged necessary, in order to be educated/updated on a particular topic.

Code of Business Conduct and Ethics

The board of directors adopted a Code of Business Conduct and Ethics, or Code of Conduct, for our directors, officers and employees on May 31, 2007, as amended from time to time. Our Code of Conduct can be found on SEDAR at www.sedar.com and on our web site on www.acastipharma.com. A copy of the Code of Conduct can also be obtained by contacting our corporate secretary. Since its adoption by the board of directors, any breach of the Code of Conduct must be brought to the attention of the board of directors by our CEO or other senior executives. No report has ever been filed which pertains to any conduct of a director or executive officer that constitutes a breach to our Code of Conduct.

Since the adoption of the Code of Conduct and the following policies, the board of directors actively monitors compliance with the Code Conduct and promotes a business environment where employees are encouraged to report malfeasance, irregularities, and other concerns. The Code of Conduct provides for specific procedures for reporting non-

compliant practices in a manner which, in the opinion of the board of directors, encourages and promotes a culture of ethical business conduct.

The board of directors also adopted a disclosure policy, insider trading policy, majority voting policy, management and board compensation policies, and a whistleblower policy.

In addition, under the *Civil Code of Québec,* to which we are subject as a legal person incorporated under the *Business Corporations Act* (Québec) (L.R.Q., c. S-31), a director must immediately disclose to the board any situation that may place him or her in a conflict of interest. Any such declaration of interest is recorded in the minutes of proceeding of the board of directors. The director abstains, except if required, from the discussion and voting on the question. In addition, it is our policy that an interested director recuse himself or herself from the decision-making process pertaining to a contract or transaction in which he or she has an interest.

Nomination of Directors

The board of directors receives recommendations from the GHR committee, but retains responsibility for managing its own affairs by, among other things, giving its approval for the composition and size of the board of directors, and the selection of candidates nominated for election to the board of directors. The GHR committee initially evaluates candidates for nomination for election as directors, having regard to the background, employment, and qualifications of possible candidates.

The selection of the nominees for the board of directors is made by the other members of the board, based on our needs and the qualities required for the board of directors, including ethical character, integrity and maturity of judgment of the candidates; the level of experience of the candidates, their ideas regarding the material aspects of our business, the expertise of the candidates in fields relevant to us while complementing the training and experience of the other members of the board of directors; the will and ability of the candidates to devote the necessary time to their duties to the board of directors and its committees, the will of the candidates to serve on the board of directors for numerous consecutive financial periods and finally, the will of the candidates to refrain from engaging in activities which conflict with the responsibilities and duties of a director. The board researches the training and qualifications of potential new directors which seem to correspond to the selection criteria of the board of directors and, depending on the results of said research, organizes meetings with the potential candidates.

In the case of incumbent directors whose terms of office are set to expire, the board will review such directors' overall service to us during their term of office, including the number of meetings attended, level of participation, quality of performance and any transactions of such directors with us during their term of office.
We may use various sources in order to identify the candidates for the board of directors, including our own contacts and the references of other directors, officers, advisors and executive placement agencies. We will consider director candidates recommended by shareholders and will evaluate those director candidates in the same manner in which we evaluate candidates recommended by other sources. In making recommendations for director nominees for the annual meeting of shareholders, we will consider any written recommendations of director candidates by shareholders received by our corporate secretary not later than 120 days before the anniversary of the previous year's annual meeting of shareholders. Recommendations must include the candidate's name, contact information and a statement of the candidate's background and qualifications, and must be mailed to us. Following the selection of the candidates by the board of directors, we will propose a list of candidates to the shareholders, for our annual meeting of shareholders.

The board of directors does not have a nominating committee and has not adopted any formal written director term limit policy. Proposed nominations of director candidates are evaluated by our GHR committee.

GHR Committee

The mandate of the GHR committee consists of the evaluation of the proposed nominations of senior executives and director candidates to our board of directors, recommending for board approval, if appropriate, revisions of our corporate governance practices and procedures, developing new charters for any new committees established by the board of directors, monitoring relationships and communication between management and the board of directors, monitoring emerging best practices in corporate governance and oversight of governance matters and assessing the board of directors and its committees. The GHR committee is also in charge of establishing the procedure which must be followed by us to comply with applicable guidelines of the TSXV and NASDAQ Stock Market regarding corporate governance.

The GHR committee has the responsibility of evaluating the compensation, performance incentives as well as the benefits granted to our upper management in accordance with their responsibilities and performance as well as to recommend the necessary adjustments to our board of directors. The GHR committee also reviews the amount and method of compensation granted to the directors. The GHR committee may retain an external firm in order to assist it during the execution of its mandate. The GHR committee considers time commitment, comparative fees, and responsibilities in determining compensation.

The GHR committee is composed of independent members within the meaning of NI 52-110 and NASDAQ Stock Exchange rules, namely Mr. Olds, Dr. Carter, and Mr. Canan.

Periodic Assessments

The board of directors, its committees and each director are subject to periodic evaluations of their efficacy and contribution. The evaluation procedure consists in identifying any shortcomings and implementing adjustments proposed by directors at the beginning and during meetings of the board of directors and of each of its committees. Among other things, these adjustments deal with the level of preparation of directors, management and consultants employed by us, the relevance and sufficiency of the documentation provided to directors and the time allowed to directors for discussion and debate of items on the agenda.

Director Term Limits

The board actively considers the issue of term limits from time to time. At this time, the board does not believe that it is in our best interests to establish a limit on the number of times a director may stand for election. While such a limit could help create an environment where fresh ideas and viewpoints are available to the board, a director term limit could also disadvantage us through the loss of the beneficial contribution of directors who have developed increasing knowledge of, and insight into, us and our operations over a period of time. As we operate in a unique industry, it is difficult to find qualified directors with the appropriate background and experience and the introduction of a director term limit would impose further difficulty.

Policies Regarding the Representation of Women on the Board and Among Executive Officers

We have not adopted a formal written policy regarding diversity amongst executive officers and members of the board of directors, including mechanisms for board renewal, in connection with, among other things, the identification and nomination of women directors. Nevertheless, we recognize that gender diversity is a significant aspect of diversity and acknowledges the important role that women with appropriate and relevant skills and experience can play in contributing to the diversity of perspective on the board of directors.

Rather than considering the level of representation of women for directorship and executive officer positions when making board or executive officer appointments, we consider all candidates based on their merit and qualifications relevant to the specific role. While we recognize the benefits of diversity at all levels within its organization, we do not currently have any targets, rules or formal policies that specifically require the identification, consideration, nomination, or appointment of candidates for directorship or executive management positions or that would otherwise force the composition of our board of directors and executive management team. Currently, we have one women director who is also our CEO.

Item 14. Principal Accounting Fees and Services

Audit Fees

"Audit fees" consist of fees for professional services for the audit of our annual financial statements, interim reviews, and fees related to securities filings. Audit fees for KPMG LLP, our external auditors are CAD $364,870 for the fiscal year ended March 31, 2021, and CAD $308,160 for the fiscal year ended March 31, 2020. Audit fees for the fiscal year ended March 31, 2021, include fees related to securities filings.

Audit-Related Fees

"Audit-related fees" consist of fees for professional services that are reasonably related to the performance of the audit or review of our financial statements, and which are not reported under "Audit Fees" above. KPMG LLP billed CAD nil for the fiscal year ended March 31, 2021, and CAD $82,390 for the fiscal year ended March 31, 2020. Audit-Related fees for the fiscal year ended March 31, 2020, include fees related to securities filings.

Tax Fees

"Tax fees" consist of fees for professional services for tax compliance, tax advice and tax planning. KPMG LLP billed CAD $42,067 for tax fees for fiscal year ended March 31, 2021, and CAD $46,660 for tax fees for fiscal year ended March 31, 2020. Tax fees include, but are not limited to, preparation of tax returns.

All Other Fees

"Other fees" include all other fees billed for professional services other than those mentioned hereinabove. KPMG LLP billed no fees under this category for the fiscal years ended March 31, 2021, and March 31, 2020.

Pre-Approval Policies and Procedures

The audit committee approves all audit, audit-related services, tax services and other non-audit related services provided by the external auditors in advance of any engagement. Under the Sarbanes-Oxley Act of 2002, audit committees are permitted to approve certain fees for non-audit related services pursuant to a de minimus exception prior to the completion of an audit engagement. Non-audit related services satisfy the de minimus exception if the following conditions are met:

- the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by us and our subsidiaries to our external auditors during the fiscal year in which the services are provided;
- we or our subsidiaries, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- the services are promptly brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals had been delegated by the audit committee.

None of the services described above under "Principal Accounting Fees and Services" were approved by the audit committee pursuant to the de minimus exception.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements—The financial statements included in Item 8 are filed as part of this annual report on Form 10-K.

(a)(2) Financial Statement Schedules—All schedules have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the consolidated Financial Statements or notes thereto included in Item 8 of this annual report on Form 10-K.

(a)(3) Exhibits—The exhibits required by Item 601 of Regulation S-K are listed in paragraph (b) below.

(b) Exhibits—The exhibits listed on the Exhibit Index below are filed herewith or are incorporated by reference to exhibits previously filed with the SEC.

EXHIBITS INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of May 7, 2021, among Acasti Pharma Inc., Grace Therapeutics Inc. and Acasti Pharma U.S., Inc. (incorporated by reference to Exhibit 2.1 of from Form 8-K (File No. 001-35776) filed with the Commission on May 7, 2021)
3.1	Articles of Incorporation (incorporated by reference to Exhibit 4.1 from Form S-8 (File No. 333-191383) filed with the Commission on September 25, 2013)
3.2	Amended and Restated General By-Law (incorporated by reference to Exhibit 99.1 from Form 6-K (File No. 001-35776) filed with the Commission on February 21, 2017)
3.3	Advance Notice bylaw No. 2013-1 (incorporated by reference to Exhibit 4.3 from Form S-8 (File No. 333-191383) filed with the Commission on September 25, 2013)
4.1	Specimen Certificate for Common Shares of Acasti Pharma Inc. (incorporated by reference to Exhibit 2.1 from Form 20-F (File No. 001-35776) filed with the Commission on June 6, 2014)

4.2	Warrant Indenture dated December 3, 2013 between Acasti Pharma Inc. and Computershare Trust Company of Canada (incorporated by reference to Exhibit 99.1 from Form 6-K (File No. 001-35776) filed with the Commission on December 3, 2013)
4.3	Warrant Indenture dated February 21, 2017 between Acasti Pharma Inc. and Computershare Trust Company of Canada (incorporated by reference to Exhibit 2.3 from Form 20-F (File No. 001-35776) filed with the Commission on June 27, 2017)
4.4	Warrant Agency Agreement dated December 27, 2017 between Acasti Pharma Inc. and Computershare Inc. and its wholly-owned subsidiary, Computershare Trust Company N.A. (incorporated by reference to Exhibit 2.4 from Form 20-F (File No. 001-35776) filed with the Commission on June 29, 2018)
4.5	Amended and Restated Warrant Indenture dated May 10, 2018 between Acasti Pharma Inc. and Computershare Trust Company of Canada (incorporated by reference to Exhibit 2.5 from Form 20-F (File No. 001-35776) filed with the Commission on June 29, 2018)
10.1	Prepayment Agreement, dated December 4, 2012, between Neptune Technologies & Bioressources Inc. and Acasti Pharma Inc. (incorporated by reference to Exhibit 99.1 from Form 6-K (File No. 001-35776) filed with the Commission on October 29, 2013)
10.2	Acasti Pharma Inc., Equity Incentive Plan, as amended August 27, 2020.
10.3	Acasti Pharma Inc., Stock Option Plan, as amended August 27, 2020.

10.4	Employment Agreement with Jan D'Alvise, dated May 11, 2015 (incorporated by reference to Exhibit 10.6 from Form F-1 (File No. 333-220755) filed with the SEC on September 29, 2017)
10.5	Employment Agreement with Pierre Lemieux, dated September 26, 2017 (incorporated by reference to Exhibit 10.7 from Form F-1 (File No. 333-220755) filed with the SEC on September 29, 2017)
10.6	Independent contractor agreement with PFC Business Advisory Services Inc. dated September 14, 2020, and amended March 15, 2021, and June 16, 2021.
10.7	Amended and Restated Sales Agreement, dated June 29, 2020, by and among Acasti Pharma Inc., B. Riley FBR, Inc. and Oppenheimer & Co. Inc. and H.C. Wainwright & Co., LLC (incorporated by reference to Exhibit 1.2 from Form S-3 (File No. 333-239538) filed with the Commission on June 29, 2020)
10.8	Retention agreement, dated October 27, 2020, between Acasti Pharma Inc. and Jan D'Alvise (incorporated by reference to Exhibit 10.2 from the quarterly report on Form 10-Q filed with the Commission on November 16, 2020)
10.9	Retention agreement, dated October 29, 2020 between Acasti Pharma Inc. and Pierre Lemieux (incorporated by reference to Exhibit 10.3 from the quarterly report on Form 10-Q filed with the Commission on November 16, 2020)
23.1	Consent of KPMG LLP, an Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: June 22, 2021

ACASTI PHARMA INC.

By: /s/ Janelle D'Alvise
Name: Janelle D'Alvise
Title: President and Chief Executive Officer and Director (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Janelle D'Alvise Janelle D'Alvise	President and Chief Executive Officer and Director (Principal Executive Officer)	June 22, 2021
/s/ Brian Ford Brian Ford	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 22, 2021
/s/ Dr. Roderick N. Carter	Director	June 22, 2021

Dr. Roderick N. Carter		
/s/ Jean-Marie (John) Canan Jean-Marie (John) Canan	Director	June 22, 2021
/s/ Donald Olds Donald Olds	Director	June 22, 2021

Consolidated Financial Statements of

ACASTI PHARMA INC.

For the years ended March 31, 2021 and 2020

ACASTI PHARMA INC.

Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors Acasti Pharma Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Acasti Pharma Inc. (the "Company") as of March 31, 2021 and 2020, the related consolidated statements of

loss, comprehensive loss, shareholders' equity, and cash flows for the years ended March 31, 2021 and 2020, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2021 and 2020, and the consolidated results of its operations and its consolidated cash flows for the years ended March 31, 2021 and 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

Critical Audit Matter

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

We have served as the Company's auditor since 2009.

KPMG LLP

Montréal, Québec

June 22, 2021

ACASTI PHARMA INC.
Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars except share data)	Notes	March 31, 2021 $	March 31, 2020 $
Assets			
Current assets:			
Cash and cash equivalents		50,942	14,240
Short- term investments	5	9,789	-
Receivables	4	530	546
Assets held for sale	7	768	2,578
Deferred financing costs	12(b)	-	121
Prepaid expenses		343	977
Total current assets		62,372	18,462
Right of Use Asset		86	147
Intangible assets	6	-	4,244
Total assets		62,458	22,853
Liabilities and Shareholders' equity			
Current liabilities:			
Trade and other payables	9	1,493	7,319
Lease liability		86	76
Total current liabilities		1,579	7,395
Derivative warrant liabilities	10, 12(b)	5,219	2,393
Lease Liability		-	71

Total liabilities		6,798	9,859
Shareholders' Equity:			
Common shares	12	197,194	137,424
Additional paid-in capital	12	10,817	9,797
Accumulated other comprehensive loss		(6,333)	(7,887)
Accumulated deficit		(146,018)	(126,340)
Total Shareholder's equity		55,660	12,994
Commitments and contingencies	20		
Total liabilities and shareholders' equity		62,458	22,853

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

ACASTI PHARMA INC.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in thousands of U.S. dollars except share data)	Notes	Year ended March 31, 2021 $	Year ended March 31, 2020 $
Revenues			
Revenues from product sales	13	196	-
Operating Expenses			
Cost of sales of products		(76)	-
Research and development expenses, net of government assistance	8	(4,173)	(15,974)
General and administrative expenses		(5,521)	(5,799)
Sales and marketing		(1,142)	(2,665)
Impairment of Intangible assets	6	(3,706)	-
Impairment of Equipment	7	(1,584)	-
Impairment of Other assets and prepaid	7	(413)	-
Loss from operating activities		(16,419)	(24,438)
Financial Expenses	14	(3,259)	(1,075)
Net loss and total comprehensive loss		(19,678)	(25,513)
Basic and diluted loss per share	16	(0.17)	(0.30)
Weighted average number of shares outstanding		118,625,833	84,581,764

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

ACASTI PHARMA INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars except share data)

		Common Shares					
	Notes	Number	Dollar $	Additional Paid-in Capital $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance, March 31, 2020		90,209,449	137,424	9,797	(7,887)	(126,340)	12,994
Net loss and total comprehensive loss for the period		-	-	-	-	(19,678)	(19,678)
Cumulative translation adjustment		-	-	-	1,554	-	1,554
Warrants exercised	10, 14	222,975	274	(91)	-	-	183
Net proceeds from shares issued under the at-the-market (ATM) program	12(b)	117,724,769	59,336	-	-	-	59,336
Stock based compensation		218,356	160	1,111	-	-	1,271
Balance at March 31, 2021		208,375,549	197,194	10,817	(6,333)	(146,018)	55,660

	Notes	Common Shares Number	Dollar $	Additional Paid-in Capital $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance, March 31, 2019	2, 20	78,132,734	110,857	8,150	(7,135)	(100,827)	11,045
Net loss and total comprehensive loss for the period		-	-	-	-	(25,513)	(25,513)
Cumulative translation adjustment		-	-	-	(752)	-	(752)
Warrants exercised	10, 14	7,056,103	18,810	(262)	-	-	18,548
Net proceeds from shares issued under the at-the-market (ATM) program	12(b)	4,065,986	6,941	-	-	-	6,941
Shares issued as a settlement		900,000	738	-	-	-	738
Stock based compensation		54,626	78	1,909	-	-	1,987
Balance at March 31, 2020		90,209,449	137,424	9,797	(7,887)	(126,340)	12,994

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

ACASTI PHARMA INC.
Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars except share data)	Notes	Year Ended March 31, 2021 $	Year Ended March 31, 2020 $
Cash flows used in operating activities:			
Net loss for the year		(19,678)	(25,513)
Adjustments:			
Amortization of intangible assets	6	781	1,910
Depreciation of equipment	7	143	410
Impairment of intangible assets	6	3,706	-
Impairment of Equipment	7	1,584	-
Impairment of other assets and prepaids	7	413	-
Stock-based compensation expense	15	1,174	1,953
Change in fair value of warrant liabilities	10	2,426	1,116
Accretion of interest on convertible debenture		-	145
Write off-of deferred financing costs of at-the-market (ATM) program		264	-
Unrealized exchange loss		814	246
Changes in non-cash working capital items	17	(5,971)	(2,993)
Changes in other assets		25	(225)
Net cash used in operating activities		(14,319)	(22,951)
Cash flows from (used in) investing activities:			
Acquisition of equipment	7	(69)	(319)
Acquisition of short-term investments		(9,810)	(1,923)
Maturity of short-term investments		21	10,380
Net cash from (used in) investing activities		(9,858)	8,138
Cash flows from (used in) financing activities:			
Net proceeds from shares issued under the at-the-market (ATM) program		59,332	6,981
Deferred financing costs		(143)	7
Proceeds from exercise of warrants		183	7,706
Proceeds from exercise of stock options		118	45
Payment of convertible debenture		-	(1,556)
Net cash from financing activities		59,490	13,183
Effect of exchange rate fluctuations on cash and cash equivalents		6,329	(254)
Translation effect on cash and cash equivalents related to reporting currency		(4,940)	(747)
Net (decrease) increase in cash and cash equivalents		36,702	(2,631)
Cash and cash equivalents, beginning of year		14,240	16,871
Cash and cash equivalents, end of year		50,942	14,240
Cash and cash equivalents are comprised of:			
Cash		38,406	4,869
Cash equivalents		12,536	9,371

1. Nature of Operations

Acasti Pharma Inc. ("**Acasti"** or the "**Corporation"**) is incorporated under the *Business Corporations Act* (Québec) (formerly Part 1A of the *Companies Act* (Québec)). The Corporation is domiciled in Canada and its registered office is located at 3009 boul. de la Concorde East, Suite 102, Laval, Québec, Canada H7E 2B5. In December 2019, Acasti incorporated a new wholly owned subsidiary named Acasti Innovation AG ("AIAG") under the laws of Switzerland for the purpose of future development of the Corporation's intellectual property.

In January 2020 and August 2020, the Corporation released Phase 3 clinical study results for the Corporation's lead drug candidate, CaPre. The TRILOGY studies did not to meet the primary endpoint resulted in the Corporation making a decision not to proceed with a filing of an NDA with the FDA. With the completion of the TRILOGY studies research and development activities and expenses were reduced.

In September 2020, the Corporation commenced a formal process to explore and evaluate strategic alternatives to enhance shareholder value. Towards this end, the Corporation has engaged a financial advisor to assist in the process. The Corporation has also greatly reduced its commercial activities including a reduction in workforce to reduce operating expenses, while it evaluates these opportunities. In addition, the equipment and other assets are classified as held for resale as they are expected to be sold.

In May 2021 (note 21), the Corporation announced a definitive agreement to acquire Grace Therapeutics Inc. a privately held emerging biopharmaceutical company focused on developing innovative drug delivery technologies for the treatment of rare and orphan diseases. Subject to the completion of the Proposed Transaction, the Corporation will acquire Grace's pipeline of drug candidates. The Proposed Transaction has been approved by the boards of directors of both companies and is supported by Grace's shareholders through voting and lock-up agreements with the Corporation. The transaction remains subject to approval of Acasti stockholders, as well as applicable stock exchanges. The Corporation remains subject to a number of risks similar to other companies in the biotechnology industry, including compliance with government regulations, protection of proprietary technology, dependence on third parties and product liability.

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements of Acasti Pharma Inc., which include the accounts of its subsidiary have been prepared in accordance with U.S. GAAP. All intercompany transactions and balances are eliminated on consolidation.

The following summarizes the principal conditions or events relevant to the Corporation's going concern assessment, which primarily considers the period of one year from the issuance date of these financial statements.

The Corporation has incurred operating losses and negative cash flows from operations since its inception. In prior years there was substantial doubt regarding the Corporation's ability to realize its assets and discharge its liabilities and commitments in the ordinary course of business. During year ended March 31, 2021, the Corporation has raised net proceeds of $59.3 million under the ATM program. The Corporation's assets as at March 31, 2021 include cash and cash equivalents and short-term investments totaling $60.7 million. The Corporation's current liabilities total $1.6 million as at March 31, 2021 and are comprised primarily of amounts due to or accrued for creditors.

2. Summary of significant accounting policies (continued):

The Corporation's ability to continue as a going concern is dependent upon its ability to achieve a successful strategic alternative and ultimately generate cashflows to meet its obligations. To date, the Corporation has financed its operations primarily through public offerings of common shares, private placements, and the proceeds from research tax credits, and will require additional financing in the future. Refer to note 21 Subsequent Events regarding the Corporation's agreement to acquire Grace Therapeutics Inc. There is no assurance that a strategic transaction will be consummated as such transaction is not within the Corporation's control. As a result of the Corporation's current liquidity profile, the reduction of operating expenses and limited liabilities management has assessed that substantial doubt no longer exists regarding its ability to continue as a going concern for one year from the issuance date of these financial statements.

Significant accounting policies, estimates and judgments:

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

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

Estimates and assumptions include the measurement of derivative warrant liabilities (*note 10*) and stock-based compensation (*note 15*)) and impairment of intangibles and assets held for sale (notes 6 and 7) and the take-or-pay contract (note 20(a)). Estimates and assumptions are also involved in measuring the accrual of services rendered with respect to research and developments expenditures at each reporting date, are determining which research and development expenses qualify for research and development tax credits and in what amounts. The Corporation recognizes the tax credits once it has reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and, therefore, could be different from the amounts recorded.

Functional and reporting currency:

Effective March 31, 2020, the consolidated financial statements reporting currency has changed from Canadian dollars to U.S dollars. This change in reporting currency has been applied retrospectively such that all amounts are expressed in the consolidated financial statements of the Corporation and the accompanying notes thereto are expressed in thousands of U.S dollars, except for per share data. References to "$" are U.S dollars and references to "CAD $" are to Canadian dollars. Translation gains and losses from the application of the U.S. dollar as the reporting currency while the Canadian dollar is the functional currency are included as part of the cumulative foreign currency translation adjustment, which is reported as a component of shareholders' equity under accumulated other comprehensive loss.

The Corporation's functional currency is the Canadian dollar. The effects of exchange rate fluctuations on translating foreign currency monetary assets and liabilities into Canadian dollars are included in the statement of loss and comprehensive loss as foreign exchange gain/loss. Expense transactions are translated into the U.S. dollar reporting currency at the average exchange rate during the period, and assets and liabilities are translated at end of period exchange rates, except for equity transactions, which are translated at historical exchange rates.

Acasti pharma inc.
Notes to the Consolidated Financial Statements
(Expressed in thousands of U.S. dollars except share data)

2. Summary of significant accounting policies (continued):

Cash and Cash Equivalents:

Cash and cash equivalents comprise cash balances and highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents consist of term deposits held at the bank and recorded at cost, which approximates fair value.

Investments:

The Corporation's investments consist of term deposits and are classified as held-to-maturity securities. These investments are recorded at amortized cost. Investments with original maturities exceeding three months and less than one year are categorized as short-term.

Receivables:

Receivables are classified at amortized cost and recorded at the outstanding amount net of any provisions for uncollectible amount.

Deferred Financing Costs:

Deferred financing costs consists of fees charged by underwriters, attorneys, accountants, and other fees directly attributable to future issuances of shares. Provided these costs are determined to be recoverable, these costs are deferred and charged subsequently against the gross proceeds of the related equity transaction when it occurs. If at such time, the Corporation deems that these costs are no longer recoverable, they will be expensed as a component of finance expenses.

Assets held for sale:

Assets that are classified as held for sale are measured at the lower of their carrying amount or fair value less expected selling costs ("estimated selling price") with a loss recognized to the extent that the carrying amount exceeds the estimated selling price. The classification is applicable at the date upon which the sale of assets is probable, and the assets are available for immediate sale in their present condition. Assets once classified as held for sale, are not subject to depreciation or amortization and both the assets and any liabilities directly associated with the assets held for sale are classified as current in the Corporation's Consolidated Balance Sheets. Subsequent changes to the estimated selling price of assets held for sale are recorded as gains or losses to the Consolidated Statements of Income wherein the recognition of subsequent gains is limited to the cumulative loss previously recognized.

Equipment:

(i) Recognition and measurement:

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including all costs incurred in bringing the asset to its present location and condition. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized net within operating expenses in the Consolidated Statement of Loss and Comprehensive Loss.

(ii) Subsequent costs:

The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Acasti pharma inc.
Notes to the Consolidated Financial Statements
(Expressed in thousands of U.S. dollars except share data)

2. Summary of significant accounting policies (continued):

(iii) Depreciation:

Depreciation is recognized in profit or loss on either a straight-line basis or a declining basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Items of equipment are depreciated from the date that they are available for use or, in respect of assets not yet in service, from the date they are ready for their intended use.

The estimated useful lives and rates for the current and comparative periods are as follows:

Assets	Method	Period/Rate		
Furniture and office equipment	Declining balance	20%	to	30%
Computer equipment	Declining balance		30%	
Laboratory equipment	Declining balance		30%	
Production equipment	Declining balance	10%	to	30%

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted prospectively if appropriate.

Intangible assets:

Intellectual property and licenses that are acquired by the Corporation from a third party are capitalized and subsequently measured at cost less accumulated amortization and accumulated impairment losses, if they have finite useful lives, they are for approved products or if there are alternative future uses.

Amortization group

(Expressed in thousands of U.S. dollars except share data)

Amortization is calculated over the cost of the intangible asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Assets	Period (years)
Patents	20
License	8 to 14

Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Research and Development Costs

Research and developments expenditures are expensed as incurred. These costs primarily consist of employees' salaries and benefits related to research and development activities, contractors and consultants that conduct the Corporation's clinical trials, independent auditors and consultants to perform investigation activities on behalf of the Corporation, laboratory material and small equipment, clinical trial materials, stock-based compensation expense, and other non-clinical costs and regulatory fees. Advance payments for goods and services that will be used in future research and development are recognized in prepaids or other assets and are expensed when the services are performed, or the goods are used.

2. Summary of significant accounting policies (continued):

Impairment of Long-Lived Assets:

The Corporation reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that it is carrying amount may not be recoverable. The carrying amount is first compared with the undiscounted cash flows. If the carrying amount is higher than the sum of undiscounted cash flows, then the Corporation determines the fair value of the underlying asset group. Any impairment loss to be recognized is measured as the difference by which the carrying amount of the asset group exceeds the estimated fair value of the asset group. An impairment of $5,703 was recognized in the year ended March 31, 2021, and nil in the year ended March 31, 2020.

Stock based compensation:

The Corporation has in place a stock option plan for directors, officers, employees, and consultants of the Corporation, with grants under the stock option plan approved by the Corporation's Board of Directors. The plan provides for the granting of options to purchase Common Shares and the exercise price of each option equals the closing trading price of Common Shares on the day prior to the grant. The terms and conditions for acquiring and exercising options are set by the Corporation's Board of Directors in accordance with and subject to the terms and conditions of the stock option plan. The Corporation measures the cost of such awards based on the fair value of the award at grant date, net of estimated forfeiture, and recognizes stock-based compensation expense in the Consolidated Statements of Loss and Comprehensive Loss on a graded vesting basis over the requisite service period. The requisite service period equals the vesting periods of the awards. The fair value of options is estimated for each tranche of an award that vests on a graded basis. The fair value of options is estimated using the Black-Scholes option pricing model, which uses various inputs including estimated fair value of the Common Shares at the grant date, expected term, estimated volatility, risk-free interest rate and expected dividend yields of the Common Shares. The Corporation applies an estimated forfeiture rate derived from historical employee termination behaviour. If the actual forfeitures differ from those estimated by management, adjustment to compensation expense may be required in future periods.

Non-employee stock-based compensation transactions in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as stock-based compensation transactions. The Corporation establishes the fair value at the grant date for non-employee awards and measures the fair value based on the fair value of equity instruments issued. The fair value of a non-employee award is estimated using the Black-Scholes option pricing model, which uses various inputs including estimated fair value of the Common Shares at the grant date, contractual term, estimated volatility, risk-free interest rate and expected dividend yields of the Common Shares.

Government grants:

Government grants are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Corporation has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Grants that compensate the Corporation for expenses incurred are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

2. Summary of significant accounting policies (continued):

Leases:

Adoption of Topic 842 (Leases)

On April 1, 2019, the Corporation adopted Topic 842. There was no material impact on the consolidated financial statement from adopting the new standard given the Corporation only had short term leases at the time of adoption and the Corporation elected to apply the short-term lease exemption. Subsequent to April 1, 2019, at the inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement and in accordance with the guidance of ASC Topic 842 "Leases".

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease

term. Certain adjustments to the right-of-use asset may be required for items such as incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Corporation utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Corporation could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. The Corporation does not have financing leases.

The Corporation has elected not to recognize leases with an original term of one year or less on the balance sheet. The Corporation typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Corporation's assessment unless there is reasonable certainty that the Corporation will renew. In the year ended March 31, 2020, the Corporation modified the lease for its lab facility and recognized a right of use asset and a corresponding lease liability of $147. The new lease is for a two-year term, and it was discounted using an incremental borrowing rate of 8%. The undiscounted obligation is $80 per year. The Corporation's lease expense is recognized in research and development expenses.

Income tax:

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. Summary of significant accounting policies (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts (tax base) of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate expected to apply when the underlying asset or liability is realised (settled) based on the rates that are enacted at the reporting date. Deferred tax assets and liabilities are offset if the Corporation has the right to set off the amount owed by with the amount owed by the other party, the Corporation intends to set off and the offset right is enforceable at law. A deferred tax asset is recognized for unused tax losses and tax credits, reduced by a valuation allowance to the extent that it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Earnings per share:

The Corporation presents basic and diluted earnings per share (**EPS**) data for its Common Shares. Basic EPS is calculated by dividing the profit or loss attributable to the holders of Common Shares by the weighted average number of Common Shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the holders of Common Shares and the weighted average number of Common Shares outstanding adjusted for the effects of all dilutive potential Common Shares, which comprise warrants and share options granted to employees.

Segment reporting:

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. The Corporation has one reportable operating segment: the development and commercialization of pharmaceutical applications of its patent portfolio and licensed rights for cardiovascular diseases. The majority of the Corporation's assets are located in Canada, while one major production unit, with a carrying value of $156 (March 31, 2020 - $1,510), is located in France at a third-party contract manufacturing facility.

Convertible Debentures:

The unsecured convertible debentures that existed in the financial statements for the year ended March 31, 2020, were fully paid at maturity in February 2020. The unsecured convertible debentures could have been converted to Common Shares at the option of the holder, and the number of shares to be issued was fixed. The embedded conversion option in the convertible debentures meet the criteria to not be separately accounted for as a derivative. The convertible debentures were separated into liability and equity components. The liability component was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component was recognized initially as the difference between the fair value of the financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component was measured at amortized cost using the effective interest method. The equity component of the convertible debt was not remeasured subsequent to initial recognition.

Derivative financial instruments:

The Corporation has issued warrants of which some are accounted for as liability-classified derivatives over its own equity. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes in their fair value are recognized immediately in profit or loss as a component of financial expenses.

2. Summary of significant accounting policies (continued):

***Other equity instruments*:**

Warrants that do not meet the definition of a liability instrument are recognized in equity as additional paid in capital.

Fair Value Measurements

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

(Expressed in thousands of U.S. dollars except share data)

Financial assets and liabilities:

In establishing fair value, the Corporation uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

The Corporation has determined that the carrying values of its short-term financial assets and liabilities (cash and cash equivalents, short-term investments and trade and other payables) approximate their fair value given the short-term nature of these instruments. The Corporation measured its derivative warrant liabilities at fair value on a recurring basis using level 3 inputs.

3. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13-Financial Instruments-Credit Losses (Topic 326), which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost, the new guidance eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. ASU 2016-13 will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2022. Management has not yet evaluated the impact of this ASU on the consolidated financial statements.

4. Receivables:

	Notes	March 31, 2021 $	March 31, 2020 $
Sales tax receivables		160	301
Government assistance	8	339	209
Interest receivable		13	11
Other receivables		18	25
Total receivables		530	546

5. Short-term Investments:

The Corporation holds various marketable securities with maturities greater than 3 months at the time of purchase as follows:

	March 31, 2021 $	March 31, 2020 $
Term deposits issued in US currency earning interest at ranges between 0.23% and 0.40% and maturing on various dates from June 22, 2021 to July 27, 2021	7,542	-
Term deposits issued in CAD currency earning interest at ranges between 0.58% and 0.67% and maturing on various dates from April 16, 2021 to July 27, 2021	2,247	-
Total investments	9,789	-
Short-term investments	9,789	-
Investments	-	-

6. Impairment loss Intangible assets:

In prior years, the Corporation entered into agreements with Neptune Wellness Solutions Inc. (Neptune) pursuant to which the Corporation obtained a license and exercised its option under this license agreement to pay in advance all of the future royalties payable to Neptune. This license allows the Corporation to exploit the intellectual property rights in-order to develop novel active pharmaceutical ingredients into commercial products for the prescription drugs market. The Corporation tests intangible assets for impairment should circumstances change or events occur that would indicate that the fair value of an asset may be below its carrying value. During the second quarter of fiscal 2021, the Corporation released its Phase 3 clinical programs data and its failure to meet its primary endpoints, and the resulting decision to not file an NDA to obtain FDA approval for CaPre. In addition, a significant share price reduction occurred. Due to these indicators of impairment under ASC 350, the Corporation undertook an analysis to determine the fair value of its intangible asset this quarter.

In assessing the magnitude of any impairment of the license the Corporation considered all available evidence including i) significant adverse impact from business climate due to Phase 3 clinical programs failure to meet its primary endpoints, and the resulting decision to not file an NDA to obtain FDA approval for CaPre, and the resulting internal forecasts that no cash flows from the use of the license was possible, and (ii) management's estimate that a market place participant would place minimal to no value on the license if it were to be sold on its own or in combination with other assets, recognized or not, which is a level 3 measurement in the fair value hierarchy which included unobservable inputs. Accordingly, an impairment loss of $3,706 was recognized in the second quarter of the year ended March 31, 2021, which represents the totality of the intangible assets net book value prior to the impairment trigger. For the year ended March 31, 2021, amortization expense, prior to the impairment was $781 (2020 - $1,910) and was included in research and development expenses.

(Expressed in thousands of U.S. dollars except share data)

7. Assets held for sale:

During the period the Corporation committed to a plan and is actively marketing for sale Other assets and Equipment and has met the criteria for classification of assets held for sale:

	March 31, 2021 $	March 31, 2020 $
Other assets	387	668
Equipment	381	1,910
	768	2,578

a. **Other assets**

Other assets represent krill oil (RKO) held by the Corporation that was expected to be used in the conduct of R&D activities and commercial inventory scale up related to the development and commercialization of the CaPre drug. Given that the development of CaPre will no longer be pursued, the Corporation is expected to sell this reserve. The other asset is being recorded at the fair value less costs to sell, which has resulted in an impairment loss of $413. Management's estimate of the fair value of the RKO less cost -to sell, is based primarily on estimated market prices obtained from an appraiser specialized in the krill oil market. These projections are based on Level 3 inputs of the fair value hierarchy and reflect management's best estimate of market participants' pricing of the assets as well as the general condition of the asset. The total impairment loss recognized, includes amounts paid for krill oil in advance, but not yet received and was recorded as a prepaid.

b. **Equipment**

March 31, 2021	Cost $	Accumulated depreciation $	Impairment loss $	Net book value $
Furniture and office equipment	17	(5)	-	12
Computer equipment	148	(30)	(54)	64
Laboratory equipment	756	(436)	(171)	149
Production equipment	2,538	(1,023)	(1,359)	156
	3,459	(1,494)	(1,584)	381

March 31, 2020	Cost $	Accumulated depreciation $	Net book value $
Furniture and office equipment	15	3	12
Computer equipment	64	18	46
Laboratory equipment	684	343	341
Production equipment	2,341	830	1,511
	3,104	1,194	1,910

For the year ended March 31, 2021, depreciation expense was $143 (2020 $410) and was included in research and development expenses. Equipment is made up of Laboratory, Production, Computer and Office equipment that was utilized in the development of CaPre. Given that the development of CaPre will no longer be pursued, the Corporation is expected to sell this equipment. Similarly, to the intangible assets, the announcement of the outcomes of the TRILOGY clinical trials resulted in an impairment trigger for the laboratory and production equipment. The impairment loss is based on management's estimate of the fair value of the equipment less cost -to sell, which is based primarily on estimated market prices obtained from brokers specialized in selling used equipment. These projections are based on Level 3 inputs of the fair value hierarchy and reflect the Corporations best estimate of market participants' pricing of the assets as well as the general condition of the assets.

8. Government assistance:

	March 31, 2021 $	March 31, 2020 $
Investment tax credit	339	182
Government grant	-	27
Total government assistance	339	209

Government assistance is comprised of a government grant from the Canadian federal government and research and development investment tax credits receivable from the Quebec provincial government which relate to qualifiable research and development expenditures under the applicable tax laws. The amounts recorded as receivables are subject to a government tax audit and the final amounts received may differ from those recorded. For the years ended March 31, 2021, and 2020, the Corporation recorded $127 and $149, respectively, as a reduction of research and development expenses in the Consolidated Statements of Loss and Comprehensive Loss.

The amounts recorded as receivables are subject to a government tax audit and the final amounts received may differ from those recorded. Unrecognized Canadian federal tax credits may be used to reduce future Canadian federal income tax and expire as follows:

	$
2029	9
2030	23
2031	36
2032	343
2033	351
2034	347
2035	413
2036	228
2037	251
2038	180

(Expressed in thousands of U.S. dollars except share data)

2039	247
2040	369
2041	170
	2,967

In September 2019, the Corporation was awarded up to CAD $750,000 in non-dilutive and non-repayable funding from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) to apply towards eligible research and development disbursements of the Corporation's unique commercial production platform for CaPre. As at March 31, 2021 the Corporation has claimed $79 in connection with this program, which has been recorded as a reduction of research and development expenses in the Consolidated Statements of Loss and Comprehensive Loss.

In October 2020, the Corporation received correspondence from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) that the eligible amount awarded to the Corporation for non-dilutive and non-repayable funding was reduced from up to CAD $750,000 to up to CAD $326,357.

9. Trade and other payables:

	March 31, 2021 $	March 31, 2020 $
Trade payables	115	1,713
Accrued liabilities and other payables	607	4,247
Employee salaries and benefits payable	771	1,359
Total trade and other payables	1,493	7,319

10. Derivative warrant liabilities:

On May 9, 2018, the Corporation closed a Canadian public offering issuing 9,530,000 units at a price of CAD $1.05 per unit for gross proceeds of $7.8 million (CAD$10 million). The units issued consist of 9,530,000 Common Shares and 9,530,000 warrants. Each warrant entitles the holder thereof to acquire one Common Share at an exercise price of CAD $1.31 at any time until May 9, 2023. On May 14, 2018, the underwriters exercised their over-allotment option by purchasing an additional 1,429,500 units at a price of CAD $1.05 per unit, for additional gross proceeds of $1.1 million (CAD $1.5 million). The units issued consist of 1,429,500 Common Shares and 1,429,500 warrants. Each Warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price of CAD $1.31 at any time until May 9, 2023. The warrants issued are derivative warrant liabilities given the warrant indenture contains certain contingent provisions that allow for cash settlement.

On December 27, 2017, the Corporation closed a U.S. public offering of 9,900,990 units at a price of US$1.01 per unit for gross proceeds of $10 million. The units issued consist of 9,900,990 Common Shares and 8,910,891 warrants to purchase one Common Share. As part of this closing, the underwriters also partially exercised for nil consideration the over-allotment option for warrants, which were issued for a right to purchase 892,044 Common Shares at an exercise price of $1.26. Warrants issued are derivative warrant liabilities given the currency of the exercise price is different from the Corporation's functional currency.

The derivative warrant liabilities are measured at fair value at each reporting period and the reconciliation of changes in fair value is presented in the following tables:

	Warrants issued May 2018		Warrants issued December 27, 2017	
	March 31, 2021 $	March 31, 2020 $	March 31, 2021 $	March 31, 2020 $
Balance – beginning of year	1,146	6,177	1,247	6,005
Issued during the year		-		-
Amount transferred to Equity	-	(6,072)	-	(4,770)
Change in fair value	1,252	1,115	1,174	1
Translation effect	199	(74)	201	(11)
Balance – end of year	2,597	1,146	2,622	1,247
Fair value per warrant issuable	0.39	0.17	0.37	0.18

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

10. Derivative warrant liabilities (continued):

	Warrant liabilities issued May 2018		Warrant liabilities issued December 27, 2017	
	March 31, 2021 $	March 31, 2020 $	March 31, 2021 $	March 31, 2020 $
Exercise price	CAD $1.31	CAD $1.31	USD $1.26	USD $1.26
Share price	CAD $0.76	CAD $0.53	USD $0.60	USD $0.38
Risk-free interest	1.39%	0.66%	0.92%	0.37%
Contractual life (years)	2.11	3.11	1.74	2.74
Expected volatility	156.00%	107.59%	171.12%	125.03%

(Expressed in thousands of U.S. dollars except share data)

The Corporation measured its derivative warrant liabilities at fair value on a recurring basis. These financial liabilities were measured using level 3 inputs (see Note 12)

As at March 31, 2021, the effect of an increase or a decrease of 5% of the volatility used, which is the significant unobservable input in the fair value estimate, would result in a loss of $241 or a gain of $257, respectively.

As at March 31, 2021, the effect of a 5% strengthening of the U.S. dollar against the Canadian dollar, would result in a loss of $129. An assumed 5% weakening of the U.S. dollar against the Canadian dollar would have an equal but opposite effect on the basis that all other variables remained constant.

11. Unsecured convertible debentures

On February 21, 2017, the Corporation issued $ 1,522 (CAD$ 2,000) aggregate principal amount of unsecured convertible debentures maturing February 21, 2020, and contingent warrants to acquire up to 1,052,630 Common Shares. The debentures were paid in full at maturity. The proceeds were split between liability and equity. Both the conversion option and contingent warrants were considered the equity component of the Private Placement. The split between the liability and equity component portions are summarized below:

	Liability component $	Equity component $	Total Private Placement $
Balance at March 31, 2019	1,361	220	1,581
Accretion of interest on convertible debenture	145	-	145
Translation effect	50	-	50
Shares issued upon exercise of warrants	-	(33)	(33)
Payment upon maturity of debentures	(1,556)	-	(1,556)
Balance at March 31, 2020	-	187	187

12. Capital and other components of equity

(a) Common Shares:

Authorized capital stock:

Unlimited number of shares:

- Class A shares (Common Shares), voting (one vote per share), participating and without par value.
- Class B shares, voting (ten votes per share), non-participating, without par value and maximum annual non-cumulative dividend of 5% on the amount paid per share. Class B shares are convertible, at the holder's discretion, into Class A shares (Common Shares), on a one-for-one basis, and Class B shares are redeemable at the holder's discretion for CAD $0.80 per share, subject to certain conditions. There are none issued and outstanding.
- Class C shares, non-voting, non-participating, without par value and maximum annual non-cumulative dividend of 5% on the amount paid per share. Class C shares are convertible, at the holder's discretion, into Class A shares (Common Shares), on a one-for-one basis, and Class C shares are redeemable at the holder's discretion for CAD $0.20 per share, subject to certain conditions. There are none issued and outstanding.
- Class D and E shares, they are non-voting, non-participating, without par value and maximum monthly non-cumulative dividend between 0.5% and 2% on the amount paid per share. Class D and E shares are convertible, at the holder's discretion, into Class A shares (Common Shares), on a one-for-one basis, and Class D and E shares are redeemable at the holder's discretion, subject to certain conditions. There are none issued and outstanding.

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

On February 14, 2019, the Corporation entered into an "at-the-market" (ATM) sales agreement with B. Riley FBR, Inc. ("B. Riley") pursuant to which the Common Shares may be sold from time to time for aggregate gross proceeds of up to $30 million, with sales only being made on the NASDAQ Stock Market. The Common Shares would be issued at market prices prevailing at the time of the sale and, as a result, prices may vary between purchasers and during the period of distribution. The ATM has a 3-year term and requires the Corporation to pay between 3% and 4% commission to B. Riley based on volume of sales made. On June 29, 2020, the Corporation entered into an amended and restated sales agreement (the Sales Agreement) with B. Riley, Oppenheimer& Co. Inc. and H.C. Wainwright & Co., LLC (collectively, the "Agents") to amend the existing ATM program. Under the terms of the Sales Agreement, which has a three-year term, the Corporation may issue and sell from time to time its common shares (the Shares) having an aggregate offering price of up to US $75,000,000 through the Agents. Subject to the terms and conditions of the Sales Agreement, the Agents will use their commercially reasonable efforts to sell the Shares from time to time, based upon the Corporation's instructions. The Corporation has no obligation to sell any of the Shares and may at any time suspend sales under the Sales Agreement. The Corporation and the Agents may terminate the Sales Agreement in accordance with its terms. Under the terms of the Sales Agreement, the Corporation has provided the Agents with customary indemnification rights and the Agents will be entitled to compensation, at a commission rate equal to 3.0% of the gross proceeds from each sale of the Shares. For the year ended March 31, 2021, a total of 117.7 million common shares (March 31, 2020 – 4.1 million common shares) were sold for total net proceeds of approximately $59.3 million (March 31, 2020, $7.0 million) under the ATM program. Commission, legal and costs related to share sale amounted to $2.0 million (March 31, 2020 - $291). The shares were sold at the prevailing market prices, which resulted in an average price of approximately $0.52 per share (March 31, 2020 - $1.79 per share). Accordingly, proportional costs of $18 related to the common shares sold, have been reclassified from deferred financings costs to equity (March 31, 2020 - $40). Total costs incurred to register the Sales Agreements were initially recorded as deferred financing costs in the Consolidated Balance Sheet. As at March 31, 2021, the remaining balance of the costs incurred of $264 were written off to financing expenses.

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

(b) Warrants:

(Expressed in thousands of U.S. dollars except share data)

The warrants of the Corporation are composed of the following:

	March 31, 2021		March 31, 2020	
	Number outstanding	Amount	Number outstanding	Amount
		$		$
Liability				
May 2018 public offering warrants 2018 (i)	6,593,750	2,597	6,593,750	1,146
Series December 2017 U.S. public offering warrants 2017 (ii)	7,072,962	2,622	7,072,962	1,247
	13,666,712	5,219	13,666,712	2,393
Equity				
Public offering warrants				
Public offering broker warrants May 2018 (iii)	1	-	222,976	89
Public offering U.S. broker warrants December 2017 (iv)	259,121	161	259,121	161
Public offering warrants February 2017 (v)	1,723,934	631	1,723,934	631
	1,983,056	792	2,206,031	881

(i) Warrant to acquire one Common Share at an exercise price of CAD $1.31, expiring on May 9, 2023.
(ii) Warrant to acquire one Common Share at an exercise price of $1.26, expiring on December 27, 2022.
(iii) Warrant to acquire one Common Share o at an exercise price of CAD $1.05, expiring on May 9, 2023.
(iv) Warrant to acquire one Common Share at an exercise price of $1.2625, expiring on December 19, 2022.
(v) Warrant to acquire one Common Share at an exercise price of CAD $2.15, expiring on February 21, 2022.

During the year ending March 31, 2021, 222,975 broker warrants offered as part of the May 2018 public offering were exercised at a price of $0.83 per Common Share of the Company, resulting in $183 of cash proceeds.

During the year ended March 31, 2020, 235,929 broker warrants and 52,288 derivative warrants offered as part of the December 2017 U.S. public offering were exercised on a cashless basis to acquire 136,013 Common Shares.

13. Revenues:

In October 2020, the Corporation entered into an agreement with the Centre Integre Universitaire et des services sociaux de L'Estrie - Centre hospitalier Universitaire de Sherbrooke to start producing and selling Viral transport medium tubes to be utilized in testing related to the Covid-19 pandemic. Revenue is recognized when the product is received by the customer.

14. Financial expenses:

	March 31, 2021 $	March 31, 2020 $
Foreign exchange gain (loss)	(676)	(2)
Interest payable on convertible debenture	-	(102)
Accretion of interest on convertible debenture	-	(145)
Financing costs	(264)	(46)
Interest income	107	336
Change in fair value of warrant liabilities	(2,426)	(1,116)
Financial expenses	(3,259)	(1,075)

15. Stock based compensation:

At March 31, 2021, the Corporation has the following stock-based compensation arrangement:

(a) Corporation stock option plan:

The Corporation has in place a stock option plan for directors, officers, employees, and consultants of the Corporation. An amendment of the stock option plan was approved by shareholders on September 30, 2020. The amendment provides for an increase to the existing limits for Common Shares reserved for issuance under the Stock Option Plan as well as certain changes to the minimum vesting period applicable to options granted to directors under the Stock Option Plan. The stock option plan continues to provide for the granting of options to purchase Common Shares. The exercise price of the stock options granted under this amended plan is not lower than the closing price of the Common Shares on the TSXV at the close of markets the day preceding the grant. The maximum number of Common Shares that may be issued upon exercise of options granted under the amended Stock Option Plan was increased from 11,719.910 representing 15% of the issued and outstanding Common Shares of the Company as of April 9, 2019, to 14,533,881 representing 15% of the issued and outstanding Common Shares of the Company as of August 26, 2020. The terms and conditions for acquiring and exercising options are set by the Corporation's Board of Directors, subject among others, to the following limitations: the term of the options cannot exceed ten years and (i) all options granted to a director will be vested evenly on a monthly basis over a period of at least twelve (12) months, and (ii) all options granted to an employee will be vested evenly on a quarterly basis over a period of at least thirty-six (36) months.

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

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Notes to the Consolidated Financial Statements
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15. Stock based compensation (continued):

(a) Corporation stock option plan (continued):

The following tables summarize information about activities within the stock option plan:

	Number of options	Weighted average exercise price CAD $	Weighted average grant date fair value CAD $
Outstanding, March 31, 2019	4,046,677	1.25	0.81
Granted	6,140,517	0.85	0.85
Exercised	(30,874)	0.81	0.79
Forfeited	(212,334)	1.62	1.16
Expired	(7,500)	6.50	3.02
Outstanding, March 31, 2020	9,936,486	1.00	0.83
Granted	-	-	-
Exercised	(241,750)	0.62	0.47
Forfeited	(2,399,817)	0.90	0.74
Expired	-	-	-
Outstanding, March 31, 2021	7,294,919	1.04	0.87
Exercisable at end of year	5,025,583	1.17	0.93

	March 31, 2021	March 31, 2020
Weighted average fair value of the options granted to employees and directors of the Corporation	-	CAD$0.85

Compensation expense recognized under the stock option plan is summarized as follows:

	March 31, 2021 $	March 31, 2020 $
Research and development expenses	353	443
General and administrative expenses	828	1,217
Sales and marketing expenses	(7)	293
	1,174	1,953

As of March 31, 2021, there was CAD $476 (March 31, 2020 – CAD $2,802) of total unrecognized compensation cost, related to non-vested share options, which is expected to be recognized over a remaining weighted average vesting period of 1.03 years (March 31, 2020 - 1.35 years).

A summary of the non-vested stock option activity and related information for the Corporation's stock options granted is as follows:

	Number of options	Weighted average grant date fair value CAD ($)
Non- vested, March 31, 2020	6,764,252	0.83
Options granted	-	-
Options vested	1,720,280	0.83
Options forfeited and cancelled	2,774,636	0.90
Non- vested, March 31, 2021	2,269,336	0.76

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15. Stock based compensation (continued):

(a) Corporation stock option plan (continued):

The fair value of options granted was estimated using the Black-Scholes option pricing model, resulting in the following weighted average assumptions for options granted during the periods ended:

		March 31, 2020 CAD Weighted average
Exercise price	$	0.85
Share price	$	1.09
Dividend		—
Risk-free interest		0.88%
Estimated life (years)		5.71
Expected volatility		99.11

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

March 31, 2021

(Expressed in thousands of U.S. dollars except share data)

Exercise price CAD			Weighted average remaining contractual life	Number of options outstanding	Number of options exercisable
$ 0.53	–	0.65	8.99	2,418,167	988,167
$ 0.66	–	1.02	7.25	1,527,573	1,300,529
$ 1.03	–	1.42	8.04	1,680,058	1,067,766
$ 1.43	–	1.61	2.11	525,000	525,000
$ 1.62	–	1.71	5.90	108,333	108,333
$ 1.72	–	1.88	6.20	737,500	737,500
$ 1.89	–	3.25	2.16	262,500	262,500
$ 3.26	–	4.65	1.17	22,500	22,500
$ 4.66	–	4.80	1.38	13,288	13,288
			7.31	7,294,919	5,025,583

Stock-based compensation payment transactions and broker warrants:

The fair value of stock-based compensation transactions is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility for a duration equal to the weighted average life of the instruments, life based on the average of the vesting and contractual periods for employee awards as minimal prior exercises of options in which to establish historical exercise experience; contractual life for broker warrants), and the risk-free interest rate (based on government bonds). Service and performance conditions attached to the transactions, if any, are not considered in determining fair value. The expected life of the stock options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

15. Stock based compensation (continued):

(b) Corporation equity incentive plan:

The Corporation established an equity incentive plan for employees, directors and consultants. The plan provides for the issuance of restricted share units (**RSUs**), performance share units, restricted shares, deferred share units and other stock-based awards, subject to restricted conditions as may be determined by the Board of Directors. There were no such awards outstanding as of March 31, 2021, and March 31, 2020, and no stock-based compensation was recognized for the period ended March 31, 2021 and March 31, 2020.

16. Loss per share:

Diluted loss per share was the same amount as basic loss per share, as the effect of options, RSUs and warrants would have been anti-dilutive, as the Corporation has incurred losses in each of the periods presented. All outstanding options, RSUs and warrants could potentially be dilutive in the future.

17. Supplemental cash flow disclosure:

(a) Changes in working capital items:

	March 31, 2021 $	March 31, 2020 $
Receivables	58	581
Prepaid expenses	672	(185)
Trade and other payables	(6,701)	(3,389)
Total changes in working capital items	(5,971)	(2,993)

(b) Non-cash transactions:

	March 31, 2021 $	March 31, 2020 $
ATM transaction costs included in trade and other payables	18	-
Shares issued as settlement	-	738
Deferred financing costs reclassified to Equity	(23)	40
Fair value of derivative warrants liability reclassified to equity	-	10,691

18. Income taxes:

Reconciliation of effective tax rate:

	March 31, 2021 $	March 31, 2020 $

Loss before income taxes	(19,678)	(25,513)
Basic combined Canadian statutory income tax rate[1]	26.50%	26.58%
Computed income tax recovery	(5,105)	(6,781)
Increase resulting from:		
Non-deductible stock-based compensation	311	519
Non-deductible change in fair value of warrants	643	205
Change in valuation allowance	4,162	6,004
Other – Foreign exchange	(11)	20
Other	-	33
Total tax (recovery) expense	-	-

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

At March 31, 2021 and 2020, the net deferred tax assets have not been recognized in these financial statements. A valuation allowance is recognized to reduce the deferred tax assets as it is more likely than not that a tax benefit will not be realized.

Net deferred income tax assets as of March 31, 2021, and 2020 were comprised of the following:

	March 31, 2021 $	March 31, 2020 $
Deferred tax assets		
Tax losses carried forward	28,643	22,052
Research and development expenses	5,424	4,544
Property, plan and equipment	933	324
Intangible assets	-	1
Financing expenses	1,167	998
Tax credit carry forwards	2,968	2,468
Other temporary differences	86	76
Deferred tax assets	39,221-	30,463
Deferred tax liabilities		
Tax basis of unsecured convertible debentures in excess of carrying value	-	-
Deferred tax liabilities	-	-
Valuation allowance	(39,221)	(30,463)
Net deferred tax assets	-	-

18. Income taxes (continued):

As at March 31, 2021, the amounts and expiry dates of tax attributes and temporary differences, which are available to reduce future years' taxable income, were as follows:

	March 31, 2021	
	Federal	Provincial
	$	$
Tax losses carried forward		
2028	568	568
2029	1,296	1,290
2030	1,649	1,642
2031	1,800	1,784
2032	1,476	1,453
2033	2,864	2,864
2034	3,658	3,549
2035	4,374	4,374
2036	6,435	6,337
2037	398	394
2038	13,803	13,748
2039	32,252	32,209
2040	23,451	23,315
2041	14,279	14,279
	108,303	107,808
Research and development expenses, without time limitation	19,905	21,203
Tax credit carry forwards	2,968	-
Other deductible temporary differences, without time limitation	8,249	-

Unrecognized tax benefits

The following table summarizes the activity related to our gross unrecognized tax benefits for the years ended March 31, 2021 and 2020:

	March 31, 2021 $	March 31, 2020 $
Beginning of year:		

(Expressed in thousands of U.S. dollars except share data)

Increase (decrease) resulting from:		
Positions taken in the current year	-	164
Change in valuation allowance	-	(164)
End of year	-	-

The Corporation does not expect a significant change to the amount of unrecognized tax benefits over the next 12 months. However, any adjustments arising from certain ongoing examinations by tax authorities could alter the timing or amount of taxable income or deductions, of the allocation of income among tax jurisdictions, and these adjustments could differ from the amount accrued. The Corporation's federal and provincial income tax returns filed for all years remain subject to examination by the taxation authorities.

19. Financial instruments:

(a) Concentration of credit risk:

Financial instruments that potentially subject the Corporation to a concentration of credit risk consist primarily of cash and cash equivalents and investments. Cash and cash equivalents and investments are all invested in accordance with the Corporation's Investment Policy with the primary objective being the preservation of capital and the maintenance of liquidity, which is managed by dealing only with highly rated Canadian institutions. The carrying amount of financial assets, as disclosed in the statements of financial position, represents the Corporation's credit exposure at the reporting date.

(b) Foreign currency risk:

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates. Foreign currency risk is limited to the portion of the Corporation's business transactions denominated in currencies other than the Corporations functional currency of the Canadian dollar. Fluctuations related to foreign exchange rates could cause unforeseen fluctuations in the Corporation's operating results. The Corporation does not use derivative instruments to hedge exposure to foreign exchange risk. The fluctuation of the U.S. dollar in relation to the Canadian dollar and other foreign currencies will consequently have an impact upon the Corporation's net loss.

The operating results and financial position of the Corporation are reported in U.S. dollars (reporting currency) in the Corporation's financial statements.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Corporation's operating budgets, and reviews material transactions outside the normal course of business. Refer to Note 2 – Basis of Presentation.

The Corporation's financial liabilities obligations include trade and other payables, which fall due within the next 12 months in addition to the warrant derivatives that fall due beyond 12 months and are likely to be settled by the Corporation's equity.

20. Commitments

(a) Take or pay contract:

On October 25, 2019, the Corporation signed a supply agreement with Aker Biomarine Antartic AS ("Aker"), to purchase raw krill oil product for a committed volume of commercial starting material for CaPre for a total value of $3.1 million (take or pay). The delivery of the products must be completed by October 31, 2021. As at March 31, 2021, the remaining balance of the commitment with Aker amounts to $2.8 million. There are no termination provisions within the supply agreement. Management is currently assessing whether they can recover value from the raw krill oil product and given the uncertainty of recoverability, there is a risk that the Corporation may have a loss on this contract in the near term.

(b) Success fees

On September 23, 2020 the Corporation engaged Oppenheimer & Co., Inc., as its financial advisor to assist in the formal process to explore and evaluate strategic alternatives to enhance shareholder value. This arrangement includes fees of $1.2 million to be paid by the Corporation based on the success of a strategic outcome.

(c) Retention agreements

In October 2020 in connection with its strategic review process, the Corporation entered into retention incentive agreements with the Chief Executive Officer (CEO) and Chief Operating Officer (COO).

The Retention Agreements provide that the Corporation will pay the CEO an employment retention incentive of $100 provided that the CEO remains employed with the Corporation until the earlier of April 30, 2021 or the closing of a merger or like transaction with a third party.

In addition, the Retention Agreements also provide that the Corporation will pay each of the CEO and COO an amount of up to $125 in the event that certain milestones are met in relation to the monetization by the Corporation of its assets.

21. Subsequent events

Definitive Agreement to Acquire Grace Therapeutics, Inc.

On May 7, 2021, the Corporation announced it has entered into a definitive agreement to acquire Grace Therapeutics, Inc., a privately held emerging biopharmaceutical company focused on developing innovative drug delivery technologies for the treatment of rare and orphan diseases. Subject to the completion of the Proposed Transaction, Acasti will acquire Grace and its pipeline of drug candidates. The Proposed Transaction has been approved by the boards of directors of both companies and is supported by Grace's shareholders through voting and lock-up agreements with the Company. The transaction remains subject to approval of Acasti stockholders, as well as applicable stock exchanges.

NASDAQ Communication

On May 17, 2021 it was announced that, on May 11, 2021, the Corporation received notice from the Nasdaq Listing Qualifications Department (the "Staff") indicating that, based upon the Corporation's non-compliance with the $1.00 bid price requirement set forth in Nasdaq Listing Rule 5550(a) (the "Rule") as of May 10, 2021, the Corporation's securities were subject to delisting unless the Corporation timely requests a hearing before the Nasdaq Hearings Panel (the "Panel"). The Corporation has requested and was granted a hearing, which will stay any further action by Nasdaq pending the conclusion of the hearing process.

ACASTI PHARMA INC.

EQUITY INCENTIVE PLAN

LAST AMENDED AUGUST 27, 2020

Acasti Pharma Inc.

Equity Incentive Plan

ARTICLE 1
PURPOSE

1.1 Purpose

The purpose of this Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants of the Corporation and its Subsidiaries, to reward such of those Directors, Employees and Consultants as may be granted Awards under this Plan by the Board from time to time for their contributions toward the long term goals and success of the Corporation and to enable and encourage such Directors, Employees and Consultants to acquire Shares as long term investments and proprietary interests in the Corporation.

ARTICLE 2
INTERPRETATION

2.1 Definitions

When used herein, unless the context otherwise requires, the following terms have the indicated meanings, respectively:

"Affiliate" has the meaning set forth in the Securities Act;

"Associate" has the meaning ascribed to it in the Securities Act;

"Award" means any Bonus Share, Restricted Share Unit, Performance Share Unit, Deferred Share Unit, Restricted Share or Other Share-Based Award granted under this Plan;

"Award Agreement" means a signed, written agreement between a Participant and the Corporation, substantially in the form attached as Schedule A, subject to any

amendments or additions thereto as may, in the discretion of the Board, be necessary or advisable, evidencing the terms and conditions on which an Award has been granted under this Plan;

"Award Value" means such percentage of annual base salary or such other amount as may be determined from time to time by the Board as the original value of the Award to be paid to a Participant and specified in the Participant's Award Agreement;

"Board" means the board of directors of the Corporation;

"Business Day" means a day, other than a Saturday or Sunday, on which the principal commercial banks in the City of Montréal are open for commercial business during normal banking hours;

"Bonus Share" means Shares issued to a Participant under the terms of this Plan;

"Cause" means, with respect to a particular Employee:

(a) "cause" as such term is defined in the written employment agreement between the Corporation and the Employee; or

(b) in the event there is no written employment agreement between the Corporation and the Employee or "cause" is not defined in the written employment agreement between the Corporation and the Employee, the usual meaning of "cause" under the laws of the Province of Québec.

"Change in Control" means the occurrence of any one or more of the following events:

(a) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation after completion of the transaction;

(b) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Corporation and/or any of its Subsidiaries which have an aggregate book value greater than 30% of the book value of the assets, rights and properties of the Corporation and its Subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned subsidiary of the Corporation in the course of a reorganization of the assets of the Corporation and its subsidiaries;

(c) a resolution is adopted to wind-up, dissolve or liquidate the Corporation;

(d) any person, entity or group of persons or entities acting jointly or in concert (an "**Acquiror**") acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Corporation which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or Affiliates of the Acquiror to cast or to direct the casting of 20% or more of the votes attached to all of the Corporation's outstanding Voting Securities which may be cast to elect directors of the Corporation or the successor corporation (regardless of whether a meeting has been called to elect directors);

(e) as a result of or in connection with: (A) a contested election of directors, or; (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Corporation or any of its affiliates and another corporation or other entity, the nominees named in the most recent Management Information Circular of the Corporation for election to the Board shall not constitute a majority of the Board; or

(f) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing, "**Voting Securities**" means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Corporation, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities.

Notwithstanding the foregoing definition, for Awards that are non-qualified deferred compensation held by a U.S. Taxpayer, any Change in Control must also meet the requirements for a "change in control" or "change in ownership" under Section 409A;

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated under it;

"Committee" has the meaning set forth in Section 3.2 ;

"Corporation" means Acasti Pharma Inc.;

"Consultant" means an individual or Consultant Company, other than an Employee or a Director of the Corporation, that:

(a) is engaged to provide on a ongoing *bona fide basis*, consulting, technical, management or other services to the Corporation or an Affiliate of the Corporation, other than services provided in relation to a Distribution;

(b) provides the services under a written contract between the Corporation or an Affiliate of the Corporation and the individual or the Consultant Company;

(c) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and

(d) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation;

"Consultant Company" means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;

"Date of Grant" means, for any Award, the date specified by the Board at the time it grants the Award (which, for greater certainty, shall be no earlier than the date on

which the Board meets for the purpose of granting such Award) or if no such date is specified, the date upon which the Award was granted;

"Deferred Share Unit" or **"DSU"** means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Corporation in accordance with ARTICLE 7;

"Director" means a director of the Corporation who is not an employee of the Corporation or a Subsidiary;

"Disabled" or **"Disability"** means the permanent and total incapacity of a Participant as determined in accordance with procedures established by the Board for purposes of this Plan;

"Distribution" has the meaning set forth in the Securities Act;

"Effective Date" means the effective date of this Plan, being June 27, 2013;

"Employee" means an individual who:

(a) is considered an employee of the Corporation or a Subsidiary of the Corporation under the *Income Tax Act* (Canada) (i.e., for whom income tax, employment insurance and CPP deductions must be made at source);

(b) works full-time for the Corporation or a Subsidiary of the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or

(c) works for the Corporation or a Subsidiary of the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

"Exchange" means such stock exchange or other organized market on which the Shares are or may be listed or posted for trading from time to time, including as applicable the TSX-V or the TSX;

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended from time to time;

"Insider" means an "insider" as defined by the Exchange from time to time in its rules and regulations;

"Market Price" at any date in respect of the Shares shall be the closing price of such Shares on the Exchange (and if listed on more than one stock exchange, then the highest of such closing prices) on the last Business Day prior to the relevant date. In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and asked prices in respect of such Shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion;

"NI 45-106" means National Instrument 45-106 Prospectus and Registration Exemptions of the Canadian Securities Administrators, as amended from time to time;

"Other Share-Based Award" means any right granted under Section 8.1;

"Participant" means an Employee, Consultant or Director to whom an Award has been granted under this Plan;

"Participant's Employer" means the Corporation or such Subsidiary as is or, if the Participant has ceased to be employed by the Corporation or such Subsidiary, was the Participant's Employer;

"Performance Goals" means performance goals expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Corporation, a Subsidiary, or a division or strategic business unit of the Corporation, or may be applied to the performance of the Corporation relative to a market index, a group of other companies or a combination thereof, all as determined by the Board;

"Performance Share Unit" or **"PSU"** means any right granted under Section 5.1 of the Plan;

"Permitted Assign" has the meaning assigned to that term in NI 45-106;

"Person" includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his or her capacity as trustee, executor, administrator or other legal representative;

"Plan" means this Acasti Pharma Inc. Equity Incentive Plan, as may be amended from time to time;

"QBCA" means the *Business Corporations Act* (Québec), as amended, or such other successor legislation which may be enacted, from time to time;

"Regulatory Authorities" means the Exchange and any other organized trading facilities on which the Corporation's Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation;

"Restricted Period" means the period during which Restricted Shares are subject to restrictions as set out in the Award Agreement;

"Restricted Shares" means Shares granted to a Participant under Section 6.1 hereof that are subject to certain restrictions and to a risk of forfeiture;

"Restricted Share Unit" or **"RSU"** means a right to receive a Share or a Restricted Share granted, as determined by the Board, under Section 4.1;

"Securities Act" means the *Securities Act* (Québec), as amended, or such other successor legislation as may be enacted, from time to time;

"Securities Laws" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject, including, without limitation, the Securities Act;

"Share" means one (1) common share without par value in the capital stock of the Corporation as constituted on the Effective Date or, in the event of an adjustment contemplated by ARTICLE 12, such other shares or securities to which the holder of an Award may be entitled as a result of such adjustment;

"**Stock Option Plan**" means the Corporation's stock option plan in effect from time to time;

"Termination Date" means, in the case of a Participant whose employment or term of office or engagement with the Corporation or an Affiliate terminates:

(i) in the case of the resignation of the Participant as an Employee of the Corporation, the date that the Participant provides notice of his or her resignation as an Employee of the Corporation to the Corporation;
(ii) in the case of the termination of the Participant as an Employee of the Corporation by the Corporation for any reason other than death, the effective date of termination set out in the Corporation's notice of termination of the Participant as an Employee of the Corporation to the Participant;
(iii) in the case of the termination of the written contract of the Consultant Participant to provide consulting services to the Corporation, the effective date of termination set out in any notice provided by one of the parties to the written contract to the other party; or
(iv) the effective date of termination of a Director, Employee or Consultant pursuant to an order made by any Regulatory Authority having jurisdiction to so order;

provided that in the case of termination by reason of voluntary resignation by the Participant, such date shall not be earlier than the date that notice of resignation was received from such Participant, and **"Termination Date"** in any such case specifically does not mean the date on which any period of contractual notice, reasonable notice, salary continuation or deemed employment that the Corporation or the Affiliate, as the case may be, may be required at law to provide to a Participant would expire;

"**TSX-V**" means the TSX Venture Exchange;

"**TSX**" means the Toronto Stock Exchange; and

"U.S. Taxpayer" shall mean a Participant who is a U.S. citizen, U.S. permanent resident or individual providing services to the Corporation or its Subsidiaries in the U.S.

2.2 Interpretation

(a) Whenever the Board or, where applicable, the Committee is to exercise discretion in the administration of this Plan, the term "discretion" means the sole and absolute discretion of the Board or the Committee, as the case may be.

(b) As used herein, the terms "Article", "Section", "Subsection" and "clause" mean and refer to the specified Article, Section, Subsection and clause of this Plan, respectively.

(c) Words importing the singular include the plural and vice versa and words importing any gender include any other gender.

(d) Whenever any payment is to be made or action is to be taken on a day which is not a Business Day, such payment shall be made or such action shall be taken on the next following Business Day.

(e) In this Plan, a Person is considered to be a '**Subsidiary**" of another Person if:

(i) it is controlled by,

(A) that other, or

(B) that other and one or more Persons, each of which is controlled by that other, or

(C) two or more Persons, each of which is controlled by that other; or

(ii) it is a Subsidiary of a Person that is that other's Subsidiary.

(f) In this Plan, a Person is considered to be**"controlled"** by a Person if:

(i) in the case of a Person,

(A) voting securities of the first-mentioned Person carrying more than 50% of the votes for the election of directors are held, directly or indirectly, otherwise than by way of security only, by or for the benefit of the other Person; and

(B) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned Person;

(ii) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned Person holds more than 50% of the interests in the partnership; or

(iii) in the case of a limited partnership, the general partner is the second-mentioned Person.

(g) Unless otherwise specified, all references to money amounts are to Canadian currency.

(h) This Plan is established under and the provisions of this Plan will be subject to and interpreted and construed in accordance with the laws of the Province of Québec.

(i) The headings used herein are for convenience only and are not to affect the interpretation of this Plan.

ARTICLE 3
ADMINISTRATION

3.1 Administration

Subject to Section 3.2, this Plan will be administered by the Board and the Board has sole and complete authority, in its discretion, to:

(a) determine the individuals to whom grants under the Plan may be made;

(b) make grants of Awards under the Plan relating to the issuance of Shares (including any combination of Bonus Shares, Restricted Share Units, Performance Share Units, Deferred Share Units, Restricted Shares or Other Share-Based Awards) in such amounts, to such Persons and, subject to the provisions of this Plan, on such terms and conditions as it determines including without limitation:

(i) the time or times at which Awards may be granted;

(ii) the conditions under which:

(A) Awards may be granted to Participants; or

(B) Awards may be forfeited to the Corporation,

including any conditions relating to the attainment of specified Performance Goals;

(iii) the price, if any, to be paid by a Participant in connection with the granting of Awards;

(iv) whether restrictions or limitations are to be imposed on the Shares issuable pursuant to grants of Awards, and the nature of such restrictions or limitations, if any; and

(v) any acceleration of exercisability or vesting or Restricted Period, or waiver of termination regarding any Award, based on such factors as the Board may determine;

(c) interpret this Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to this Plan; and

(d) make all other determinations and take all other actions necessary or advisable for the implementation and administration of this Plan.

The Board's determinations and actions within its authority under this Plan are conclusive and binding on the Corporation and all other persons. The day-to-day administration of the Plan may be delegated to such officers and employees of the Corporation or of a Subsidiary as the Board determines.

3.2 Delegation to Committee

To the extent permitted by applicable law and the Corporation's articles, the Board may, from time to time, delegate to a committee (the**"Committee"**) of the Board, all or any of the powers conferred on the Board under the Plan. In connection with such delegation, the Committee will exercise the powers delegated to it by the Board in the manner and on the terms authorized by the Board. Any decision made or action taken by the Committee arising out of or in connection with the administration or interpretation of this Plan in this context is final and conclusive. Notwithstanding any such delegation or any reference to the Committee in this Plan, the Board may also take any action and exercise any powers that the Committee is authorized to take or has power to exercise under this Plan.

3.3 Eligibility

All Employees, Consultants and Directors are eligible to participate in the Plan, subject to subsections 10.11(c) and 10.2(g). Eligibility to participate does not confer upon any Employee, Consultant or Director any right to receive any grant of an Award pursuant to the Plan. The extent to which any Employee, Consultant or Director is entitled to receive a grant of an Award pursuant to the Plan will be determined in the sole and absolute discretion of the Board.

3.4 Board Requirements

Any Award granted under this Plan shall be subject to the requirement that, if at any time the Corporation shall determine that the listing, registration or qualification of the Shares issuable pursuant to such Award upon any securities exchange or under any Securities Laws of any jurisdiction, or the consent or approval of Regulatory Authority, is necessary as a condition of, or in connection with, the grant or exercise of such Award or the issuance or purchase of Shares thereunder, such Award may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval.

3.5 Participation

The Board may only grant Awards to an Employee or Consultant if such Employee or Consultant is a bona fide Employee or Consultant of the Corporation or a Subsidiary of the Corporation, as the case may be. The Board may, in its sole discretion, grant the majority of the Awards to Insiders of the Corporation. The number of Shares that may be purchased under any Award or the amount of any Award that shall be granted in any form that may result in the issuance of Shares will be determined and fixed by the Board at the date of grant, provided that no more than 2% of the issued and outstanding Shares may be granted to any one Consultant in any 12 month period.

3.6 Number of Shares Reserved

Subject to adjustment as provided for in ARTICLE 12 and any subsequent amendment to this Plan, the number of Shares reserved for issuance and which will be available for issuance pursuant to Awards granted under this Plan will be equal to a number that:

(a) if, and for so long as the Common Shares are listed on the TSXV, shall not exceed the lower of (i) 2,422,313 Common Shares, and (ii) 15% of the issued and outstanding Common Shares as of August 26, 2020, representing 14,533,881 Common Shares, which number shall include Common Shares issuable pursuant to options issued under the Stock Option Plan.

(b) if, and for so long as the Shares are listed on the TSX, shall not exceed 2.5% of the issued and outstanding Shares of the Corporation from time to time.

The aggregate maximum number of Shares available under the Plan may be used for any type of Award. Subject to the provisions and restrictions of this Plan, if any Award is cancelled, expired or otherwise terminated for any reason whatsoever, the number of Shares in respect of which Award is cancelled, expired or otherwise terminated for any reason whatsoever, as the case may be, will ipso facto again be immediately available for purchase pursuant to Awards granted under this Plan. For greater certainty, the number of Shares in respect of which any Award is exercised will no longer be available for purchase pursuant to future Awards granted under this Plan.

All grants of Awards under this Plan will be evidenced by Award Agreements. Award Agreements will be subject to the applicable provisions of this Plan and will contain such provisions as are required by this Plan and any other provisions that the Board may direct. Any one officer of the Corporation is authorized and empowered to execute and deliver, for and on behalf of the Corporation, an Award Agreement to each Participant granted an Award pursuant to this Plan.

3.7 Non-transferability of Awards

No assignment or transfer of Awards, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Awards whatsoever in any assignee or transferee (except that, if, and for so long as the Shares are listed on the TSX, a Participant may transfer Awards to Permitted Assigns in a manner consistent with applicable tax and securities laws) and immediately upon any assignment or transfer, or any attempt to make the same, such Awards will terminate and be of no further force or effect. If any Participant has transferred Awards to a corporation pursuant to this Section 3.7, such Awards will terminate and be of no further force or effect if at any time the transferor should cease to own all of the issued shares of such corporation.

3.8 Dividend Equivalents

(a) RSUs, PSUs and DSUs shall be credited with dividend equivalents in the form of additional RSUs, PSUs and DSUs as of each dividend payment date in respect of which normal cash dividends are paid on Shares. Such dividend equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of RSUs, PSUs and DSUs held by the Participant on the record date for the payment of such dividend, by (b) the Market Price at the close of the first business day immediately following the dividend record date, with fractions computed to three decimal places. Dividend equivalents credited to a Participant's accounts shall vest in proportion to the RSUs, PSUs and DSUs to which they relate.

(b) The Board may in its discretion include in an Award Agreement applicable to an Other Share-Based Award a dividend equivalent right entitling the Participant to receive amounts equal to the normal cash dividends that would be paid, during the time such Award is outstanding and unexercised, on the Shares covered by such Award if such Shares were then outstanding and may decide whether such payments shall be made in cash, in Shares or in another form, whether they shall be conditioned upon the vesting of the Award to which they relate, the time or times at which they shall be made, and such other terms and conditions as the Board shall deem appropriate.

(c) The foregoing does not obligate the Corporation to make dividends on Shares and nothing in this Plan shall be interpreted as creating such an obligation.

3.9 Permitted Assigns

If, and for so long as the Shares are listed on the TSX, grants of Awards may be made to Permitted Assigns of Employees, Directors and Consultants and may be transferred by Employees, Directors and Consultants to a Permitted Assign of an Employee, Director or Consultant as applicable, except for U.S. Taxpayers, if transfer to a Permitted Assign would be prohibited by Section 409A of the Code. In any such case, the provisions of ARTICLE 10 shall apply to the Award as if the Award was held by the Employee, Director or Consultant rather than such person's Permitted Assign.

In the event of the death of the Permitted Assign, the Award shall be automatically transferred to the Employee, Director or Consultant who effected the transfer of the Award to the deceased Permitted Assign.

ARTICLE 4
GRANT OF RESTRICTED SHARE UNITS

4.1 Grant of RSUs

If, and for so long as (i) the Corporation is a Tier 1 issuer on the TSXV, (ii) the Shares are listed on the Toronto Stock Exchange, or (iii) the prior approval of the of the stock exchange on which the Shares are listed for trading is obtained, the Board may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, grant RSUs to any Participant. The number of RSUs to be credited to each Participant's account shall be computed by dividing (a) the Award Value, by (b) the Market Price of a Share on the day immediately preceding the Grant Date, with fractions rounded down to the nearest whole number.

4.2 Terms of RSUs

The Board shall have the authority to condition the grant of RSUs upon the attainment of specified Performance Goals, or such other factors (which may vary as between awards of RSUs) as the Board may determine in its sole discretion.

4.3 Vesting of RSUs

The Board shall have the authority to determine at the time of grant, in its sole discretion, the duration of the vesting period and other vesting terms applicable to the grant of RSUs, provided that no RSU granted shall vest and be payable after December 31 of the third calendar year following the year of service for which the RSU was granted.

4.4 Delivery of Shares

Unless otherwise specified in the Award Agreement, as soon as practicable following the expiry of the applicable vesting period, or at such later date as may be determined by the Board in its sole discretion at the time of grant, a share certificate representing the Shares issuable pursuant to the RSUs shall be registered in the name of the Participant or as the Participant may direct, subject to applicable securities laws.

ARTICLE 5
PERFORMANCE SHARE UNITS

5.1 Grant of PSUs

If, and for so long as (i) the Corporation is a Tier 1 issuer on the TSXV, (ii) the Shares are listed on the Toronto Stock Exchange, or (iii) the prior approval of the of the stock exchange on which the Shares are listed for trading is obtained, the Board may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, grant PSUs to any Participant. Each PSU will consist of a right to receive a Share upon the achievement of such Performance Goals during such performance periods as the Board will establish. The number of PSUs to be credited to each Participant's account shall be computed by dividing (a) the Award Value, by (b) the Market Price of a Share on the day immediately preceding the Grant Date, with fractions rounded down to the nearest whole number.

5.2 Terms of PSUs

Subject to the terms of the Plan, the Performance Goals to be achieved during any performance period, the length of any performance period, the amount of any PSU granted, the termination of a Participant's employment and the amount of any payment or transfer to be made pursuant to any PSU will be determined by the Board and by the other terms and conditions of any PSU, all as set forth in the applicable Award Agreement.

5.3 Performance Goals

The Board will issue Performance Goals prior to the commencement of the performance period to which such Performance Goals pertain. The Performance Goals may be based upon the achievement of corporation-wide, divisional or individual goals, or any other basis determined by the Board. The Board may modify the Performance Goals as necessary to align them with the Corporation's corporate objectives if there is a subsequent material change in the Corporation's business, operations or capital or corporate structure. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur).

5.4 Delivery of Shares

Unless otherwise specified in the Award Agreement, as soon as practicable following the expiry of the applicable vesting period, or at such later date as may be determined by the Board in its sole discretion at the time of grant, a share certificate representing the Shares issuable pursuant to the PSUs shall be registered in the name of the Participant or as the Participant may direct, subject to applicable securities laws.

ARTICLE 6
RESTRICTED SHARES

6.1 Grant of Restricted Shares

If, and for so long as (i) the Corporation is a Tier 1 issuer on the TSXV, (ii) the Shares are listed on the Toronto Stock Exchange, or (iii) the prior approval of the of the stock exchange on which the Shares are listed for trading is obtained, the Board may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, grant Restricted Shares to any Participant. The terms and conditions of each Restricted Shares grant shall be evidenced by an Award Agreement, which agreements need not be identical. The number of Restricted Shares to be credited to each Participant's account shall be computed by dividing (a) the Award Value, by (b) the Market Price of a Share on the day immediately preceding the Grant Date, with fractions rounded down to the nearest whole number.

Subject to the restrictions set forth in Section 10.2, except as otherwise set forth in the applicable Award Agreement, the Participant shall generally have the rights and privileges of a shareholder as to such Restricted Shares, including the right to vote such Restricted Shares. Unless otherwise set forth in a Participant's Award Agreement, cash dividends and stock dividends, if any, with respect to the Restricted Shares shall be withheld by the Corporation for the Participant's account, and shall be subject to forfeiture until released, in each case, to be released at the same time and in the same proportion as the lapse of restrictions on the Restricted Shares to which such dividends relate. Except as otherwise determined by the Board, no interest will accrue or be paid on the amount of any dividends withheld.

6.2 Restrictions on Transfer

In addition to any other restrictions set forth in a Participant's Award Agreement, until such time that the Restricted Period for the Restricted Shares has lapsed pursuant to the terms of the Award Agreement, which Restricted Period the Board may in its sole discretion accelerate at any time, the Participant shall not be permitted to sell, transfer, pledge, or otherwise encumber the Restricted Shares. Notwithstanding anything contained herein to the contrary, the Board shall have the authority to remove any or all of the restrictions on the Restricted Shares whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date of the Restricted Shares Award, such action is appropriate.

6.3 Separation of Service

Except as may otherwise be provided by applicable laws and regulations or in the applicable Award Agreement, in the event of a Participant's "separation from service" (within the meaning of Section 409A of the Code) with the Corporation or any of the Subsidiaries for any reason prior to the time that the Restricted Period for the Participant's Restricted Shares has lapsed, as soon as practicable following such Separation from Service, the Corporation shall repurchase from the Participant, and the Participant shall sell, all of such Participant's Restricted Shares for which the Restricted Period has not lapsed at a purchase price equal to the cash amount, if any, paid by the Participant for the Restricted Shares, or if no cash amount was paid by the Participant for the Restricted Shares, such Restricted Shares shall be forfeited by the Participant to the Corporation for no consideration as of the date of such separation from service.

ARTICLE 7
GRANT OF DEFERRED SHARE UNITS

7.1 Number of Deferred Share Units

If, and for so long as (i) the Corporation is a Tier 1 issuer on the TSXV, (ii) the Shares are listed on the Toronto Stock Exchange, or (iii) the prior approval of the of the stock exchange on which the Shares are listed for trading is obtained, the Board may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, grant Deferred Share Units to any Participant; provided, however, to the extent required by applicable law (including, but not limited to, Section 409A of the Code), if any Participant is allowed an election to receive DSUs in lieu of other compensation, such election must be made in writing prior to the start of the calendar year during which services will be performed for which the compensation relates, or such later date as permitted in accordance with applicable law, including, but not limited to, Section 409A of the Code and the regulations thereunder. The number of DSUs to be credited to each Participant's account shall be computed by dividing (a) the Award Value, by (b) the Market Price of a Share on the day immediately preceding the Grant Date, with fractions rounded down to the nearest whole number.

All Deferred Share Units received by a Participant shall be credited to an account maintained for the Participant on the books of the Corporation, as of the Date of Grant. The award of Deferred Share Units for a calendar year to a Participant shall be evidenced by an Award Agreement.

7.2 Issuance of Shares

DSUs shall be settled on the date established in the Award Agreement (the "**Settlement Date**"); provided, however that in no event shall a DSU Award be settled prior to the date of the applicable Participant's Separation from Service. If the Award Agreement does not establish a date for the settlement of the DSUs, then the Settlement Date shall be the date of Separation from Service, subject to the delay that may be required under Section 13.9 below. On the Settlement Date for any DSU:

(a) the Participant shall deliver a cheque payable to the Corporation (or payment by such other method as may be acceptable to the Corporation) representing payment of any amounts required by the Corporation to be withheld in connection with such settlement as contemplated by Section 13.3; and

(b) the Corporation shall issue to the Participant one fully paid and non-assessable Share in respect of each Vested DSU being paid on such date.

ARTICLE 8
OTHER SHARE-BASED AWARDS

8.1 Other Share-Based Awards

The Board may, from time to time, subject to the prior approval of the TSX-V, if applicable, the provisions of this Plan and such other terms and conditions as the Board may prescribe, grant Other Share-Based Awards to any Participant. Each Other Share-Based Award will consist of a right (1) which is other than an Award or right described in Article 4, 5, 6 or 7 above and (2) which is denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Board to be consistent with the purposes of the Plan; provided, however, that such right will comply with applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Board will determine the terms and conditions of Other Share-Based Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 8.1 will be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, other property, or any combination thereof, as the Board will determine.

ARTICLE 9
BONUS SHARES

9.1 Bonus Shares

The Board may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Board may prescribe, grant fully paid and non-assessable Bonus Shares to any Participant. The allocation of the Bonus Shares among the Participants shall be determined by the Board of Directors at the time that the Bonus Shares are qualified for issuance and shall be evidenced by an Award Agreement.

ARTICLE 10
TERMINATION OF EMPLOYMENT OR SERVICES

10.1 Death or Disability

If a Participant dies or becomes Disabled while an Employee, Director or Consultant:

(a) a portion of the next instalment of any Awards due to vest (or for which the Restricted Period is due to lapse) shall immediately vest (or cease to be restricted) such portion to equal to the number of Awards next due to vest (or cease to be restricted) multiplied by a fraction the numerator of which is the number of days elapsed since the date of vesting (or lapse of Restricted Period) of the last instalment of the Awards (or if none have vested or have ceased to be restricted, the Date of Grant) to the date of Disability or death and the denominator of which is the number of days between the date of vesting (or lapse of Restricted Period) of the last instalment of the Awards (or if none have vested or have ceased to be restricted, the Date of Grant) and the date of vesting (or lapse of Restricted Period) of the next instalment of the Awards;

(b) unless otherwise determined by the Board and set forth in an Award Agreement and subject to subsection (c), any Awards held by the Participant that are not yet vested (or for which the Restricted Period has not lapsed) at the date of Disability or death are immediately forfeited to the Corporation on the date of Disability or death; and

(c) such Participant's or Director's eligibility to receive further grants of Awards under the Plan ceases as of the date of Disability or death.

10.2 Termination of Employment or Services

(a) Where a Participant's employment or term of office or engagement with the Corporation or an Affiliate terminates by reason of the Participant's death or Disability, then the provisions of Section 10.1 will apply.

(b) Unless otherwise determined by the Board and set forth in an Award Agreement, where a Participant's employment or term of office or engagement terminates by reason of a Participant's resignation or, in the case of a Consultant, by reason of the termination by the Consultant of the Consultant's engagement in accordance with the terms of such engagement, then any Awards held by the Participant that are not yet vested (or for which the Restricted Period has not lapsed) at the Termination Date are immediately forfeited to the Corporation on the Termination Date.

(c) Unless otherwise determined by the Board and set forth in an Award Agreement, where a Participant's employment or term of office or engagement terminates by reason of termination by the Corporation or an Affiliate without cause in the case of an Employee, without breach of a Director's fiduciary duties or without breach of contract by a Consultant, as applicable (in each case as determined by the Board in its sole discretion) (whether such termination occurs with or without any or adequate notice or reasonable notice, or with or without any or adequate compensation in lieu of such notice), then any Awards held by the Participant that are not yet vested (or for which the Restricted Period has not lapsed) at the Termination Date are immediately forfeited to the Corporation on the Termination Date.

(d) Where an Employee Participant's or Consultant Participant's employment or engagement is terminated by the Corporation or an Affiliate for cause (as determined by the Board in its sole discretion), or, in the case of a Consultant, for breach of contract (as determined by the Board in its sole discretion), then any Awards held by the Participant at the Termination Date (whether or not then vested or subject to a Restricted Period) are immediately forfeited to the Corporation on the Termination Date.

(e) Where a Director's term of office is terminated by the Corporation for breach by the Director of his or her fiduciary duty to the Corporation (as determined by the Board in its sole discretion), then any Awards held by the Director at the Termination Date (whether or not vested or subject to a Restricted Period) are immediately forfeited to the Corporation on the Termination Date.

(f) Where a Director's term of office terminates for any reason other than death or Disability of the Director or a breach by the Director of his or her fiduciary duty to the Corporation (as determined by the Board in its sole discretion), the Board may, in its sole discretion, at any time prior to or following the Termination Date, provide for the vesting (or lapse of restrictions) of any or all Awards held by a Director on the Termination Date.

(g) The eligibility of a Participant to receive further grants under the Plan ceases as of the date that the Corporation or an Affiliate, as the case may be, provides the Participant with written notification that the Participant's employment or term of service is terminated, notwithstanding that such date may be prior to the Termination Date.

(h) Unless the Board, in its sole discretion, otherwise determines, at any time and from time to time, Awards are not affected by a change of employment arrangement within or among the Corporation or a Subsidiary for so long as the Participant continues to be an employee of the Corporation or a Subsidiary, including without limitation a change in the employment arrangement of a Participant whereby such Participant becomes a Director.

10.3 Discretion to Permit Acceleration

Notwithstanding the provisions of Sections 10.1 and 10.2, the Board may, in its discretion, at any time prior to or following the events contemplated in such Sections, permit the acceleration of vesting (or Restricted Period) of any or all Awards, all in the manner and on the terms as may be authorized by the Board.

ARTICLE 11
CHANGE IN CONTROL

11.1 Change in Control

The Board shall have the right to determine that any unvested or unearned Bonus Shares, Restricted Share Units, Deferred Share Units, Performance Share Units or Other Share-Based Awards or Restricted Shares subject to a Restricted Period outstanding immediately prior to the occurrence of a Change in Control shall become fully vested or earned or free of restriction upon the occurrence of such Change in Control. The Board may also determine that any vested or earned Bonus Shares, Restricted Share Units, Deferred Share Units, Performance Share Units or Other Share-Based Awards shall be cashed out at the Market Price as of the date such Change in Control is deemed to have occurred, or as of such other date as the Board may determine prior to the Change in Control. Further, the Board shall have the right to provide for the conversion or exchange of any Bonus Shares, Restricted Share Unit, Deferred Share Unit, Performance Share Unit or Other Share-Based Award into or for rights or other securities in any entity participating in or resulting from the Change in Control.

ARTICLE 12
SHARE CAPITAL ADJUSTMENTS

12.1 General

The existence of any Awards does not affect in any way the right or power of the Corporation or its shareholders to make, authorize or determine any adjustment, recapitalization, reorganization or any other change in the Corporation's capital structure or its business, or any amalgamation, combination, arrangement, merger or consolidation involving the Corporation, to create or issue any bonds, debentures, Shares or other securities of the Corporation or to determine the rights and conditions attaching thereto, to effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or to effect any other corporate act or proceeding, whether of a similar character or otherwise, whether or not any such action referred to in this Section would have an adverse effect on this Plan or on any Award granted hereunder.

12.2 Reorganization of Corporation's Capital

Should the Corporation effect a subdivision or consolidation of Shares or any similar capital reorganization or a payment of a stock dividend (other than a stock dividend that is in lieu of a cash dividend), or should any other change be made in the capitalization of the Corporation that does not constitute a Change in Control and that would warrant the amendment or replacement of any existing Awards in order to adjust the number of Shares that may be acquired on the vesting of outstanding Awards and/or the terms of any Award in order to preserve proportionately the rights and obligations of the Participants holding such Awards, the Board will, subject to the prior approval of the Exchange, authorize such steps to be taken as it may consider to be equitable and appropriate to that end.

12.3 Other Events Affecting the Corporation

In the event of an amalgamation, combination, arrangement, merger or other transaction or reorganization involving the Corporation and occurring by exchange of Shares, by sale or lease of assets or otherwise, that does not constitute a Change in Control and that warrants the amendment or replacement of any existing Awards in order to adjust: (a)

the number of Shares that may be acquired on the vesting of outstanding Awards and/or (b) the terms of any Award in order to preserve proportionately the rights and obligations of the Participants holding such Awards, the Board will, subject to the prior approval of the Exchange, authorize such steps to be taken as it may consider to be equitable and appropriate to that end.

12.4 Immediate Acceleration of Awards

Where the Board determines that the steps provided in Sections 12.2 and 12.3 would not preserve proportionately the rights, value and obligations of the Participants holding such Awards in the circumstances or otherwise determines that it is appropriate the Board may permit the immediate vesting of any unvested Awards and immediate lapse of any Restricted Period.

12.5 Issue by Corporation of Additional Shares

Except as expressly provided in this ARTICLE 12, neither the issue by the Corporation of shares of any class or securities convertible into or exchangeable for shares of any class, nor the conversion or exchange of such shares or securities, affects, and no adjustment by reason thereof is to be made with respect to the number of Shares that may be acquired as a result of a grant of Awards.

12.6 Fractions

No fractional Shares will be issued pursuant to an Award. Accordingly, if, as a result of any adjustment under Section 12.2, 12.3 or dividend equivalent, a Participant would become entitled to a fractional Share, the Participant has the right to acquire only the adjusted number of full Shares and no payment or other adjustment will be made with respect to the fractional Shares, which shall be disregarded.

ARTICLE 13
MISCELLANEOUS PROVISIONS

13.1 Legal Requirement

(a) The Corporation is not obligated to grant any Awards, issue any Shares or other securities, make any payments or take any other action if, in the opinion of the Board, in its sole discretion, such action would constitute a violation by a Participant, Director or the Corporation of any provision of any applicable statutory or regulatory enactment of any government or government agency or the requirements of any stock exchange upon which the Shares may then be listed.

(b) Without limiting the generality of the foregoing, all Awards and the issue of any Shares or other securities by the Corporation pursuant to any Awards are subject to the terms and conditions of this Plan and compliance with the rules and policies of all applicable Regulatory Authorities (including for greater certainty all applicable rules and policies of the Exchange) to the granting of such Awards and to the issuance and distribution of such Shares or other securities by the Corporation, and to all applicable Securities Laws.

13.2 Participants' Entitlement

Except as otherwise provided in this Plan, Awards previously granted under this Plan are not affected by any change in the relationship between, or ownership of, the Corporation and an Affiliate. For greater certainty, all grants of Awards remain are not affected by reason only that, at any time, an Affiliate ceases to be an Affiliate.

13.3 Withholding Taxes

The granting or vesting or lapse of the Restricted Period of each Award under this Plan is subject to the condition that if at any time the Board determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such grant, vesting or lapse of the Restricted Period, such action is not effective unless such withholding has been effected to the satisfaction of the Board. In such circumstances, the Board may require that a Participant pay to the Corporation such amount as the Corporation or an Affiliate is obliged to remit to the relevant taxing authority in respect of the granting or vesting or lapse of the Restricted Period of the Award. Any such additional payment is due no later than the date on which any amount with respect to the Award is required to be remitted to the relevant tax authority by the Corporation or an Affiliate, as the case may be.

13.4 Rights of Participant

No Participant has any claim or right to be granted an Award and the granting of any Award is not to be construed as giving a Participant a right to remain as an employee, consultant or director of the Corporation or an Affiliate. No Participant has any rights as a shareholder of the Corporation in respect of Shares issuable pursuant to any Award until the allotment and issuance to such Participant, or as such Participant may direct, of certificates representing such Shares.

13.5 Other Incentive Awards

The Board shall have the right to grant other incentive awards based upon Shares under this Plan to Participants in accordance with applicable laws and regulations and subject to regulatory approval, including without limitation the approval of the Exchange (to the extent the Corporation has any securities listed on the particular exchange), having such terms and conditions as the Board may determine, including without limitation the grant of Shares based upon certain conditions and the grant of securities convertible into Shares.

13.6 Blackout Period

If an Award expires during, or within five business days after, a trading black-out period imposed by the Corporation to restrict trades in the Corporation's securities, then, notwithstanding any other provision of this Plan, the Award shall expire ten business days after the trading black-out period is lifted by the Corporation.

13.7 Termination

The Board may, without notice or shareholder approval, terminate the Plan on or after the date upon which no Awards remain outstanding.

13.8 Amendment

(a) Subject to the rules and policies of any stock Exchange on which the Shares are listed and applicable law, the Board may, without notice or shareholder approval, at any time or from time to time, amend the Plan for the purposes of:

(i) making any amendments to the general vesting provisions or Restricted Period of each Award;

(ii) making any amendments to the provisions set out in ARTICLE 10;

(iii) making any amendments to add covenants of the Corporation for the protection of Participants, as the case may be, provided that the Board shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Participants, as the case may be;

(iv) making any amendments not inconsistent with the Plan as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Board, having in mind the best interests of the Participants and Directors, it may be expedient to make, including amendments that are desirable as a result of changes in law in any jurisdiction where a Participant resides, provided that the Board shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Participants and Directors; or

(v) making such changes or corrections which, on the advice of counsel to the Corporation, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Board shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Participants.

(b) Subject to Section 11.1, the Board shall not materially adversely alter or impair any rights or increase any obligations with respect to an Award previously granted under the Plan without the consent of the Participant, as the case may be.

(c) Notwithstanding any other provision of this Plan, none of the following amendments shall be made to this Plan without approval of the Exchange (to the extent the Corporation has any securities listed on the particular Exchange) and the approval of shareholders in accordance with the requirements of such Exchange(s):

(i) amendments to the Plan which would increase the number of Shares issuable under the Plan, except as otherwise provided pursuant to the provisions in the Plan, including Sections 12.2 and 12.3, which permit the Board to make adjustments in the event of transactions affecting the Corporation or its capital;

(ii) amendments to the Plan which would increase the number of Shares issuable to Insiders, except as otherwise provided pursuant to the provisions in the Plan, including Sections 12.2 and 12.3, which permit the Board to make adjustments in the event of transactions affecting the Corporation or its capital; and

(iii) amendments to this Section 13.8.

Any amendment that would cause an Award held by a U.S. Taxpayer to fail to comply with Section 409A of the Code shall be null and void *ab initio*.

13.9 Section 409A of the Code

This Plan will be construed and interpreted to be exempt from, or where not so exempt, to comply with Section 409A of the Code to the extent required to preserve the intended tax consequences of this Plan. The Corporation reserves the right to amend this Plan to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of this Plan in light of Section 409A of the Code and any regulations or guidance under that section. In no event will the Corporation be responsible if Awards under this Plan result in adverse tax consequences to a U.S. Taxpayer under Section 409A of the Code. Notwithstanding any provisions of the Plan to the contrary, in the case of any "specified employee" within the meaning of Section 409A of the Code who is a U.S. Taxpayer, distributions of non-qualified deferred compensation under Section 409A of the Code made in connection with a "separation from service" within the meaning set forth in Section 409A of the Code may not be made prior to the date which is 6 months after the date of separation from service (or, if earlier, the date of death of the U.S. Taxpayer). Any amounts subject to a delay in payment pursuant to the preceding sentence shall be paid as soon practicable following such 6-month anniversary of such separation from service.

13.10 Requirement of Notification of Election Under Section 83(b) of the Code

If a Participant, in connection with the acquisition of Restricted Shares under the Plan, is permitted under the terms of the Award Agreement to make the election permitted under Section 83(b) of the Code (i.e., an election to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code notwithstanding the continuing transfer restrictions) and the Participant makes such an election, the Participant shall notify the Corporation of such election within ten (10) days of filing notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code.

13.11 Indemnification

Every member of the Board will at all times be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses whatsoever including any income tax liability arising from any such indemnification, that such member may sustain or incur by reason of any action, suit or proceeding, taken or threatened against the member, otherwise than by the Corporation, for or in respect of any act done or omitted by the member in respect of this Plan, such costs, charges and expenses to include any amount paid to settle such action, suit or proceeding or in satisfaction of any judgment rendered therein.

13.12 Participation in the Plan

The participation of any Participant in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly provided in the Plan. In particular, participation in the Plan does not constitute a condition of employment or engagement nor a commitment on the part of the Corporation to ensure the continued employment or engagement of such Participant. The Plan does not provide any guarantee against any loss which may result from fluctuations in the market value of the Shares. The Corporation does not assume responsibility for the income or other tax consequences for the Participants and Directors and they are advised to consult with their own tax advisors.

13.13 International Participants

With respect to Participants who reside or work outside Canada and the United States, the Board may, in its sole discretion, amend, or otherwise modify, without shareholder approval, the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the provisions of local law, and the Board may, where appropriate, establish one or more sub-plans to reflect such amended or otherwise modified provisions.

13.14 Effective Date

This Plan becomes effective on June 27, 2013, being the date on which the Plan was approved by the shareholders of the Corporation.

13.15 Governing Law

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein.

Last approved by Shareholders on September 30, 2020

SCHEDULE A

Award Agreement

Acasti Pharma Inc. ("**Us**" or "**Our**") hereby grants the following Award(s) to you subject to the terms and conditions of this Award Agreement (the "**Agreement**"), together with the provisions of Our Equity Incentive Plan (the "**Plan**") in which you become a "Participant", dated ●, 2013, all the terms of which are hereby incorporated into this Agreement:

Name and Address of Participant: _____

Date of Grant: _____

Type of Award: _____

Total Number Granted: _____

Vesting Date(s): _____

1. The terms and conditions of the Plan are hereby incorporated by reference as terms and conditions of this Award Notice and all capitalized terms used herein, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.

2. Each notice relating to the Award must be in writing and signed by the Participant or the Participant's legal representative. All notices to US must be delivered personally or by prepaid registered mail and must be addressed to Our Corporate Secretary. All notices to the Participant will be addressed to the principal address of the Participant on file with US. Either the Participant or US may designate a different address by written notice to the other. Any notice given by either the Participant or US is not binding on the recipient thereof until received.

3. Nothing in the Plan, in this Agreement, or as a result of the grant of an Award to you, will affect Our right, or that of any Affiliate of Ours, to terminate your employment or term of office or engagement at any time for any reason whatsoever. Upon such termination, your rights to exercise Award will be subject to restrictions and time limits, complete details of which are set out in the Plan.

[4. ***Add a fixed payment date or permitted event for payment, for U.S. taxpayers*****]**

ACASTI PHARMA INC.

By: _____

Authorized Signatory

I have read the foregoing Agreement and hereby accept the Award in accordance with and subject to the terms and conditions of the Agreement and the Plan. **[I understand that I may review the complete text of the Plan on line at [●], or by contacting either my Human Resources representative or the Office of the Corporate Secretary.]** I agree to be bound by the terms and conditions of the Plan governing the Award.

_____ _____

Date Accepted Signature

ACASTI PHARMA INC.

STOCK OPTION PLAN
AS AMENDED AUGUST 27, 2020

ACASTI PHARMA INC.

STOCK OPTION PLAN

THIS PLAN adopted October 8, 2008, amended on April 29, 2009, March 1, 2011, May 22, 2013, October 5, 2015, May 11, 2016, June 8, 2017, July 27, 2018, April 15, 2019, March 31, 2020 and August 27, 2020.

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 **Definitions**. Where used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the meanings set forth below:

(a) "**Associate**" has the meaning ascribed to it in the Securities Act.

(b) "**Board**" means the board of directors of the Corporation, or any duly appointed committee thereof to which the board of directors of the Corporation has delegated the power to administer and grant Options under this Plan, as constituted from time to time.

(c) "**Cause**" means, with respect to a particular Employee:

(i) "cause" as such term is defined in the written employment agreement between the Corporation and the Employee; or

(ii) in the event there is no written employment agreement between the Corporation and the Employee or "cause" is not defined in the written employment agreement between the Corporation and the Employee, the usual meaning of cause under the laws of the Province of Québec.

(d) **Change of Control**" means:

(i) a consolidation, reorganization, amalgamation, merger, acquisition or other business combination (or a plan of arrangement in connection with any of the foregoing), other than solely involving the Corporation and any one or more of its Associates, with respect to which all or substantially all of the Persons who were the beneficial owners of the Shares and other securities of the Corporation immediately prior to such consolidation, reorganization, amalgamation, merger, acquisition, business combination or plan of arrangement do not, following the completion of such consolidation, reorganization, amalgamation, merger, acquisition, business combination or plan of arrangement, beneficially own, directly or indirectly, more than 50% of the resulting voting rights (on a fully-diluted basis) of the Corporation or its successor;

(ii) a resolution is adopted to wind-up, dissolve or liquidate the Corporation;

(iii) the sale, exchange or other disposition to a person other than an Affiliate of the Corporation of all or substantially all of the Corporation's assets; or

(iv) a change in the composition of the Board, which occurs at a single meeting of the shareholders of the Corporation or upon the execution of a shareholders' resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board, without the Board, as constituted immediately prior to such meeting or resolution, having approved of such change;

(e) "**Code**" has the meaning given in Section 7.1 of this Plan.

(f) "**Company**" means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association, or other entity other than an individual.

(g) "**Consultant**" means a person, other than an Employee or Director of the Corporation, or a Company, who:

(i) provides on a *bona fide* basis consulting, technical, management or other services to the Corporation or a Subsidiary of the Corporation under a written contract;

(ii) possesses technical, business, management or other expertise of value to the Corporation or a Subsidiary of the Corporation;

(iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or a Subsidiary of the Corporation; and

(iv) has a relationship with the Corporation or a Subsidiary of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.

(h) "**Corporation**" means Acasti Pharma Inc., and includes any successor corporation thereto.

(i) "**Director**" means a member of the board of directors of the Corporation or a member of the board of directors of a Subsidiary of the Corporation to whom stock options may be granted in reliance on a prospectus exemption under applicable Securities Laws.

(j) "**Effective Date**" means the effective date of this Plan, as amended, being October 8, 2008.

(k) "**Employee**" means an individual who:

(i) is considered an employee of the Corporation or a Subsidiary of the Corporation under the *Income Tax Act* (Canada) (i.e., for whom income tax, employment insurance and CPP deductions must be made at source);

(ii) works full-time for the Corporation or a Subsidiary of the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or

(iii) works for the Corporation or a Subsidiary of the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

(l) "**Exchange**" means the TSX Venture Exchange and, where the context permits, any other exchange on which the Shares are or may be listed from time to time.

(m) "**Exercise Notice**" means the notice respecting the exercise of an Option, in the form set out in the Option Agreement, duly executed by the Option Holder.

(n) "**Exercise Period**" means the period during which a particular Option may be exercised and, subject to earlier termination in accordance with the terms hereof, is the period from and including the Grant Date through to and including the Expiry Date.

(o) "**Exercise Price**" means the price per Share at which Shares may be purchased under an Option duly granted under this Plan, as determined in accordance with Section 4.3 of this Plan and, if applicable, adjusted in accordance with Section 3.5 of this Plan.

(p) "**Expiry Date**" means the date determined in accordance with Section 4.2 of this Plan and after which a particular Option cannot be exercised and is deemed to be null and void and of no further force or effect.

(q) "**Grant Date**" means the date on which the Board grants a particular Option.

(r) "**Insider**" means an "insider" as defined by the Exchange from time to time in its rules and regulations.

(s) "**ISOs**" has the meaning given in Section 7.1 of this Plan.

(t) "**Market Price**" at any date in respect of the Shares shall be the closing price of such Shares on the Exchange (and if listed on more than one stock exchange, then the highest of such closing prices) on the last Business Day prior to the Grant Date (or, if such Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and asked prices in respect of such Shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion;

(u) "**Option**" means an option to acquire Shares granted to a Director, Employee or Consultant of the Corporation, or any Subsidiary of the Corporation pursuant to this Plan.

(v) "**Option Agreement**" means an agreement, in the form substantially similar as that set out in Schedule "A" hereto, evidencing an Option granted under this Plan.

(w) "**Option Holder**" means a Director, Employee or Consultant or former Director, Employee or Consultant, to whom an Option has been granted and who continues to hold an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.

(x) "**Plan**" means this stock option plan, as may be amended from time to time.

(y) "**Person**" means a Company or an individual.

(z) "**Personal Representative**" means:

(i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and

(ii) in the case of an Option Holder who, for any reason, is unable to manage his or her affairs, the individual entitled by law to act on behalf of such Option Holder.

(aa) "**QBCA**" means the *Business Corporations Act* (Québec), as amended, or such other successor legislation which may be enacted, from time to time.

(bb) "**Regulatory Authorities**" means the Exchange and any other organized trading facilities on which the Corporation's Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation.

(cc) "**Re-Organization Event**" has the meaning given in Section 3.5 of this Plan.

(dd) "**Securities Act**" means the *Securities Act* (Québec), as amended, or such other successor legislation as may be enacted, from time to time.

(ee) "**Securities Laws**" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject, including, without limitation, the Securities Act.

(ff) "**Share**" means one (1) common share without par value in the capital stock of the Corporation as constituted on the Effective Date or, in the event of an adjustment contemplated by Section 3.5 of this Plan, such other shares or securities to which an Option Holder may be entitled upon the due exercise of an Option as a result of such adjustment.

(gg) "**Subsidiary**" means a subsidiary as defined in the QBCA.

(hh) "**Termination Date**" means:

(i) in the case of the resignation of the Option Holder as an Employee of the Corporation, the date that the Option Holder provides notice of his or her resignation as an Employee of the Corporation to the Corporation;

(ii) in the case of the termination of the Option Holder as an Employee of the Corporation by the Corporation for any reason other than death, the effective date of termination set out in the Corporation's notice of termination of the Option Holder as an Employee of the Corporation to the Option Holder;

(iii) in the case of the termination of the written contract of the Option Holder to provide consulting services to the Corporation, the effective date of termination set out in any notice provided by one of the parties to the written contract to the other party; or

(iv) the effective date of termination of a Director, Employee or Consultant pursuant to an order made by any Regulatory Authority having jurisdiction to so order.

(ii) "**U.S. Taxpayer**" has the meaning given in Section 7.1 of this Plan.

1.2 Choice of Law. This Plan is established under and the provisions of this Plan will be subject to and interpreted and construed in accordance with the laws of the Province of Québec.

1.3 Headings. The headings used herein are for convenience only and are not to affect the interpretation of this Plan.

ARTICLE 2
PURPOSE AND ADMINISTRATION

2.1 Purpose. The purpose of this Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants of the Corporation, and any Subsidiary of the Corporation, to reward such of those Directors, Employees and Consultants as may be granted Options under this Plan by the Board from time to time for their contributions toward the long term goals and success of the Corporation and to enable and encourage such Directors, Employees and Consultants to acquire Shares as long term investments and proprietary interests in the Corporation.

2.2 Administration. This Plan will be administered by the Board. The Board may make, amend and repeal at any time and from time to time such regulations not inconsistent with this Plan as it may deem necessary or advisable for the proper administration and operation of this Plan and such regulations will form part of this Plan. The Board may delegate to any director or other senior officer or employee of the Corporation such administrative duties and powers as it may see fit.

2.3 Board Powers. The Board shall have the power, where consistent with the general purpose and intent of this Plan and subject to the specific provisions of this Plan to, amongst other things:

(a) establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of this Plan;

(b) interpret and construe this Plan and to determine all questions arising out of this Plan or any Option, and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;

(c) determine the number of Shares reserved for issuance by each Option;

(d) determine the Exercise Price of each Option;

(e) determine the time or times when Options will be granted and exercisable;

(f) determine if the Shares which are issuable on the due exercise of an Option will be subject to any restrictions upon the due exercise of such Option; and

(g) prescribe the form of the instruments and certificates relating to the grant, exercise and other terms of Options.

2.4 **Board Discretion**. The Board may, in its discretion, require as conditions to the grant or exercise of any Option that the Option Holder shall have:

(a) represented, warranted and agreed in form and substance satisfactory to the Corporation that the Option Holder is acquiring and will acquire such Option and the Shares to be issued upon the exercise thereof for his, her or its own account, for investment and not with a view to or in connection with any distribution, that the Option Holder has had access to such information as is necessary to enable him, her or it to evaluate the merits and risks of such investment and that the Option Holder is able to bear the economic risk of holding such Shares for an indefinite period;

(b) agreed to restrictions on transfer in form and substance satisfactory to the Corporation and to an endorsement on any option agreement or certificate representing the Shares making appropriate reference to such restrictions; and

(c) agreed to indemnify the Corporation in connection with the foregoing.

2.5 **Board Requirements**. Any Option granted under this Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the Shares issuable upon due exercise of such Option upon any securities exchange or under any Securities Laws of any jurisdiction, or the consent or approval of Regulatory Authority, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval.

2.6 **Interpretation**. The interpretation by the Board of any of the provisions of this Plan and any determination by it pursuant thereto will be final and conclusive and will not be subject to any dispute by any Option Holder. No member of the Board or any individual acting pursuant to authority delegated by it hereunder will be liable for any action or determination in connection with this Plan made or taken in good faith and each member of the Board and each such individual will be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

ARTICLE 3
GRANT OF OPTIONS

3.1 **Board to Issue Shares**. The Shares to be issued to Option Holders upon the exercise of Options will be previously authorized but unissued Shares in the capital stock of the Corporation.

3.2 **Participation**. The Board will, from time to time and in its sole discretion, determine (i) those Directors, Employees, Consultants (and, when applicable, to a Company wholly owned by any such Director, Employee or Consultant), if any, to whom Options are to be granted based upon certain participation criteria, which criteria include but are not limited to functions within the Corporation, or any Subsidiary of the Corporation, seniority or actual and future contributions to the success of to the Corporation, or any Subsidiary of the Corporation, and (ii) the number of Options to be granted to such Directors, Employees or Consultants. The Board may only grant options to an Employee or Consultant if such Employee or Consultant is a *bona fide* Employee or Consultant of the Corporation or a Subsidiary of the Corporation, as the case may be. The Board may, in its sole discretion, grant the majority of the Options to Insiders of the Corporation. However, in no case will the grant of Options under this Plan, together with any proposed or previously existing security based compensation arrangement, result in (in each case, as determined on the Grant Date):

(a) the grant to any one Consultant of the Corporation, or any Subsidiary of the Corporation, within any twelve (12) month period, of Options reserving for issuance a number of Shares exceeding in the aggregate two percent (2%) of the Corporation's issued and outstanding Shares (on a non-diluted basis); or

(b) the grant, within any twelve (12) month period, to all Directors, Employees and/or Consultants of the Corporation (or any Subsidiary of the Corporation) conducting investor relations services, of Options reserving for issuance a number of Shares exceeding in the aggregate two percent (2%) of the Corporation's issued and outstanding Shares (on a non-diluted basis), calculated at the date an option is granted to any such Person.

3.3 **Number of Shares Reserved**. Subject to adjustment as provided for in Section 3.4 of this Plan and any subsequent amendment to this Plan, the number of Shares reserved for issuance and which will be available for purchase pursuant to Options granted under this Plan, together with any proposed or previously existing security based compensation arrangement, will equal to 14,533,881, representing 15% of the issued and outstanding Shares of the Corporation as of August 26, 2020. Subject to the provisions and restrictions of this Plan, if any Option is cancelled, expired or otherwise terminated for any reason whatsoever, the number of Shares in respect of which Option is cancelled, expired or otherwise terminated for any reason whatsoever, as the case may be, will *ipso facto* again be immediately available for purchase pursuant to Options granted under this Plan.

3.4 **Adjustments**. If, prior to the complete exercise of an Option, the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively, a "**Re-Organization Event**"), an Option, to the extent that it has not been exercised, will be adjusted by the Board in accordance with such Re-Organization Event in the manner the Board deems appropriate and equitable. No fractional Shares will be issued upon the exercise of the Options and accordingly, if as a result of the Re-Organization Event, an Option Holder would become entitled to a fractional Share, such Option Holder will have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

3.5 **Notification of Grant**. Following the approval by the Board of the granting of an Option, the Board will notify the Option Holder in writing of the award and will enclose with such notice the Option Agreement representing the Option so granted.

3.6 **Copy of Plan**. Each Option Holder, concurrently with the notice of the award of the Option, will, upon written request, be provided with a copy of this Plan, and a copy of any amendment to this Plan will be promptly provided by the Board to each Option Holder.

3.7 **Limitation**. This Plan does not give any Option Holder that is a Director the right to serve or continue to serve as a Director of the Corporation, does not give any Option Holder that is an Employee the right to be or to continue to be employed by the Corporation and does not give any Option Holder that is a Consultant the right to be or continue to be retained or engaged by the Corporation as a consultant for the Corporation.

ARTICLE 4
TERMS AND CONDITIONS OF OPTIONS

4.1 **Term of Option**. Subject to Section 4.2, the Expiry Date of an Option will be the date so fixed by the Board at the time the particular Option is granted, provided that such date will be no later than the tenth (10^{th}) anniversary of the Grant Date of such Option.

4.2 **Termination of Option**. Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period will terminate and become null, void and of no effect as of 5:00 p.m. (Montréal time) on the Expiry Date. The Expiry Date of an Option will be the earlier of the date so fixed by the Board at the time the Option is granted and the date established, if applicable, in subsections (a) to (c) below:

(a) Death, Disability or Retirement of Option Holder

In the event that the Option Holder should die, become disabled or retire from the Corporation while he or she is still an Employee (if he or she holds his or her Option as an Employee) or in the event that the Option Holder should die or become disable while he or she is still a Director (if he or she holds his or her Option as a Director) or a Consultant (if he or she holds his or her Option as a Consultant), the Expiry Date will be the first anniversary of the Option Holder's date of death, disability or retirement, as applicable. In addition, in the event that the Option Holder should die or become disabled, the vesting schedule of such Option Holder's Option shall automatically accelerate such that there shall be a full and immediate vesting and entitlement to exercise the relevant Option concurrently with the date upon which such event occurs.

(b) Ceasing to Hold Office as Director

In the event that the Option Holder holds his or her Option as a Director of the Corporation and such Option Holder ceases to be a Director of the Corporation (including by reason of death or disability) the Expiry Date of the Option will be the first anniversary following the date the Option Holder ceases to be a Director of the Corporation unless the Option Holder ceases to be a Director of the Corporation as a result of:

(i) ceasing to meet the qualifications of a director set forth the QBCA; or

(ii) an ordinary resolution having been passed by the shareholders of the Corporation pursuant to the QBCA; or

(iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the date the Option Holder ceases to be a Director of the Corporation.

(c) Ceasing to be an Employee or Consultant

In the event that the Option Holder holds his or her Option as an Employee or Consultant of the Corporation and such Option Holder ceases to be an Employee or Consultant of the Corporation other than by reason of death, disability or retirement, as applicable in accordance with Section 4.2(a), the Expiry Date of the Option will not exceed the ninetieth (90th) day following the Termination Date or, if the Employee or Consultant provides investor relations services, the thirtieth (30th) day following the Termination Date, unless the Option Holder:

(i) ceases to be an Employee of the Corporation as a result of termination for Cause; or

(ii) ceases to be an Employee or Consultant of the Corporation as a result of an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the Termination Date.

(d) Bankruptcy

In the event that an Option Holder commits an act of bankruptcy or any proceeding is commenced against an Option Holder under the *Bankruptcy and Insolvency Act* (Canada) or other applicable bankruptcy or insolvency legislation in force at the time of such bankruptcy or insolvency, the Expiry Date of the Option will be the date immediately preceding the date on which such Option Holder commits such act of bankruptcy.

Notwithstanding anything contained in this Plan, with the exception of Section 5.5, in no case will an Option be exercisable after the tenth (10^{th}) anniversary of the Grant Date of the Option.

4.3 **Exercise Price**. The price at which an Option Holder may purchase a Share upon the exercise of an Option (the "**Exercise Price**") will be determined by the Board and set forth in the Option Agreement issued in respect of such Option and, in any event, will not be less than the Market Price of the Corporation's Shares calculated as of the Grant Date. Notwithstanding anything else contained in this Plan, in no case will the Market Price be less than the minimum prescribed by each of the organized trading facilities as would apply to the Grant Date in question.

4.4 **Vesting**. Subject to Section 4.2(a), the date or dates on and after which a particular Option, or part thereof, may be exercised will be determined by the Board and set forth in the Option Agreement issued in respect of such Option; provided that:

(a) all Options granted to a Director will be vested gradually and evenly over a period of at least twelve (12) months, on a monthly basis; and

(b) all Options granted to an Employee will be vested gradually and evenly over a period of at least thirty-six (36) months, on a quarterly basis.

4.5 **Additional Terms**. Subject to all applicable Securities Laws of all applicable Regulatory Authorities, the Board may attach other terms and conditions to the grant of a particular Option, such terms and conditions to be referred to in the Option Agreement at the time of grant. These terms and conditions may include, but are not necessarily limited to, the following:

(c) providing that an Option expires on a date other than as provided for herein;

(d) providing that a portion or portions of an Option vest after certain periods of time or upon the occurrence of certain events, or expire after certain periods of time or upon the occurrence of certain events;

(e) providing that an Option be exercisable immediately, in full, notwithstanding that it has vesting provisions, upon the occurrence of certain events, such as a friendly or hostile take-over bid for the Corporation; and

(f) providing that an Option issued to, held by or exercised by an Option Holder who is a citizen or resident of the United Sates of America, and otherwise meeting the statutory requirements, be treated as an "Incentive Stock Option" as that term is defined for purposes of the United States of America Internal Revenue Code of 1986, as amended.

4.6 Non-Transferability of Options. The Options granted hereunder are not assignable, transferable or negotiable (whether by operation of law or otherwise) and may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by Section 5.1 of this Plan, exercise the Option within the Exercise Period. Upon any attempt to assign, transfer, negotiate, pledge, hypothecate or otherwise dispose of or transfer an Option contrary to this Section 4.6 of this Plan, or upon the levy of any attachment or similar process upon an Option, the Option and all rights, benefits and privileges arising thereunder or therefrom, at the sole discretion and election of the Board, shall cease and terminate and be of no further force or affect whatsoever.

4.7 No Rights as Shareholders. An Option Holder shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until the date of issuance of a certificate for Shares upon the due exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

ARTICLE 5
EXERCISE OF OPTION

5.1 Exercise of Option. An Option may be exercised only by the Option Holder or the Personal Representative of the Option Holder. Subject to the provisions of this Plan, an Option Holder or the Personal Representative of an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period up to 5:00 p.m. (Montréal time) on the Expiry Date by delivering to the Secretary of the Corporation an Exercise Notice indicating the number of Shares to be purchased pursuant to the exercise of the Option, the applicable Option Agreement and a certified cheque or bank draft payable to "Acasti Pharma Inc." in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option.

5.2 Withholding Taxes. In addition to the other conditions on exercise set forth in this Plan, the exercise of each Option granted under this Plan is subject to the satisfaction of all applicable withholding taxes or other withholding liabilities as the Corporation may determine to be necessary or desirable in respect of such exercise. The Corporation will require that an Option Holder pay to the Corporation, in addition to, and in the same manner as, the Exercise Price, such amount as the Corporation is obliged to remit to the relevant taxing authority in respect of the exercise of the Option.

5.3 Issue of Share Certificates. As soon as practicable following the receipt of (i) the Exercise Notice and the certified cheque or bank draft referred to in Section 5.1, and (ii) any amounts payable under Section 5.2, the Board will cause to be delivered to the Option Holder the Shares so purchased in certificated or uncertificated form. If the number of Shares so purchased is less than the number of Shares subject to the Option Agreement, the Option Holder will surrender the Option Agreement to the Corporation and the Board will forward a new Option Agreement to the Option Holder concurrently with delivery of the Shares for the balance of Shares available under the Option.

5.4 Condition of Issue. The Options and the issue of Shares by the Corporation pursuant to the exercise of Options are subject to the terms and conditions of this Plan and compliance with the rules and policies of all applicable Regulatory Authorities to the granting of such Options and to the issuance and distribution of such Shares, and to all applicable Securities Laws. The Option Holder agrees to comply with all such laws, regulations, rules and policies and agrees to furnish to the Corporation any information, reports or undertakings required to comply with and to fully cooperate with the Corporation in complying with such laws, regulations, rules and policies. Notwithstanding any of the provisions contained in this Plan or in any Option, the Corporation's obligation to issue Shares to an Option Holder pursuant to the exercise of any Option granted under the Plan shall be subject to:

(a) completion of such registration or other qualification of such Shares or obtaining approval of such Regulatory Authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

(b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed;

(c) the receipt from the Option Holder of such representations, warranties, agreements and undertakings, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the Securities Laws of any jurisdiction; and

(d) the satisfaction of any conditions on exercise prescribed pursuant to this Plan.

5.5 Blackout Period. If an Option expires during, or within five business days after, a trading black-out period imposed by the Corporation to restrict trades in the Corporation's securities, then, notwithstanding any other provision of the Plan, the Option shall expire ten business days after the trading black-out period is lifted by the Corporation, subject to the maximum period of time during which an Option is exercisable under Sections 7.3 of this Plan.

ARTICLE 6
AMENDMENT AND TERMINATION

6.1 Amendment Without Shareholder Approval. Subject to the prior approval of the Exchange, The Board may amend, suspend or discontinue the Plan, and amend or discontinue any Options granted under the Plan, at any time without shareholder approval. Without limiting the foregoing, the Board is specifically authorized to amend the terms of the Plan, and the terms of any Options granted under the Plan, without obtaining shareholder approval, to:

(a) **amend** the vesting provisions to the extent permitted under the rules and regulations of the Exchange;

(b) amend the termination provisions, except as otherwise provided in Section 6.3 (b) hereof;

(c) amend the eligibility requirements of eligible Directors, Employees or Consultants which would have the potential of broadening or increasing Insider participation;

(d) add any form of financial assistance;

(e) amend a financial assistance provision which is more favorable to Directors, Employees or Consultants;

(f) add a deferred or restricted share unit or any other provision which results in Directors, Employees or Consultants receiving securities while no cash consideration is received by the Corporation; and

(g) make other amendments of a housekeeping nature or to comply with the requirements of any Regulatory Authority.

6.2 Amendment with Shareholder Approval. Notwithstanding Section 6.1, no amendments to the Plan to:

(a) increase the number of Shares reserved for issuance under the Plan (including a change from a fixed maximum number of shares to a fixed maximum percentage of Shares);

(b) change the manner of determining the Exercise Price; or

(c) amend the amending provisions of Sections 6.1 to 6.3 of this Plan; or

(d) change the employees (or class of employees) eligible to receive options under this Plan

shall be made without obtaining approval of the shareholders in accordance with the requirements of the Exchange.

6.3 Amendment of Insider Options. Notwithstanding Section 6.1, no amendments to granted Options to:

(a) reduce the Exercise Price for the benefit of Insiders; or

(b) extend the termination date for the benefit of Insiders, other than in accordance with Section 5.4 hereof;

shall be made without obtaining approval of the shareholders, or approval of the disinterested shareholders for amendments under Section 6.3 (a), in accordance with the requirements of the Exchange; and no action shall be taken with respect to granted Options without the consent of the Option Holder, unless the Board determines that such action does not materially alter or impair such Option.

6.4 Options Granted Prior to Termination. No amendment, suspension or discontinuance of the Plan or of any granted Option may contravene the requirements of the Exchange or any securities commission or regulatory body to which the Plan or the Corporation is now or may hereafter be subject to. Termination of the Plan shall not affect the ability of the Board to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

6.5 Retrospective Amendment. The Board may from time to time retrospectively amend this Plan and, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options that have been previously granted.

6.6 Change of Control. Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board in implementation thereof:

(a) in the event of a proposed Change of Control of the Corporation, the Corporation shall have the right, upon written notice thereof to each Option Holder holding Options under the Plan, to permit the exercise of all such Options within the twenty (20) day period next following the date of such notice and to determine that upon the expiration of such twenty (20) day period, all rights of the Option Holders to such Options or to exercise same (to the extent not theretofore exercised) shall *ipso facto* terminate and cease to have further force or effect whatsoever;

(b) in the event of a Change of Control of the Corporation where a notice by the Corporation was not sent to Option Holders in accordance with Section 6.6(a),

(i) all of the Option Holder's Options will immediately vest on the date of such event. In such event, all Options so vested will be exercisable from such date until their respective expiry dates, subject to the terms of any employment agreement or other contractual arrangement between the Option Holder and the Corporation. For greater certainty, upon a Change of Control, Option Holders shall not be treated any more favourably than holders of Shares with respect to the consideration that the Option Holders would be entitled to receive for their Shares; and

(ii) if the Option Holder elects to exercise its Options following a Change of Control, such Option Holder shall be entitled to receive, and shall accept, in lieu of the number of Shares which such Option Holder was entitled upon such exercise, the kind and amount of shares and other securities, property or cash which such Option Holder could have been entitled to receive as a result of such Change of Control, on the effective date thereof, had such Option Holder been the registered holder of the number of Shares to which such Option Holder was entitled to purchase upon exercise of such Options.

6.7 Extension of Expiration Date, Non-Applicability of Termination of Employment Provisions. Subject to the rules of any relevant Regulatory Authority and Securities Laws, the Board may, by resolution:

(a) extend the Expiration Date of any Option, but shall not, in the event of any such advancement or extension, be under any obligation to advance or extend the date on or by which Options may be exercised by any other Option Holder; and

(b) decide that any of the provisions hereof concerning the effect of termination of the Option Holder's employment shall not apply to any Option Holder for any reason acceptable to the Board.

Notwithstanding the provisions of Sections 6.6 and 6.7, should changes be required to the Plan by any Regulatory Authority of any jurisdiction to which this Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be filed with the records of the Corporation and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

6.8 Regulatory Authority Approval. This Plan and any amendments hereto are subject to all necessary approvals of the applicable Regulatory Authorities.

6.9 Agreement. The Corporation and every Option granted hereunder will be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Corporation to be bound by the terms and conditions of this Plan.

6.10 Effective Date of Plan. Upon approval by the shareholders of the Corporation in accordance with the QBCA, and by acceptance by the Exchange (if

the Shares are listed or posted on an Exchange and such acceptance is required), the amendments to this Plan made on May 11, 2016 shall be deemed to be effective as of the Effective Date. Any Options granted prior to such approval and acceptance(s), that exceed the previous number of Options available for grant, shall be conditional upon such approval and acceptance(s) being given and no such Options may be exercised unless such approval and acceptance is given.

6.11 **Governing Law**. This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein.

ARTICLE 7
U.S. TAXPAYERS

7.1 **Provisions for U.S. Taxpayers.** Options granted under this Plan to U.S. Taxpayers may be nonqualified stock options or incentive stock options intended to qualify under Section 422 ("**ISOs**") of the United States Internal Revenue Code of 1986 and the applicable authority thereunder (the "**Code**"). Each Option shall be designated in the Option Agreement as either an ISO or a non-qualified stock option. "**U.S. Taxpayer**" means a Person who is a U.S. citizen, U.S. permanent resident or U.S. tax resident for the purposes of the Code whose purchase of Shares under this Plan would be subject to U.S. taxation under the Code. Such Person shall be considered a U.S. Taxpayer solely with respect to such options. Options may be granted as ISOs only to individuals who are employees of the Corporation or any present or future "subsidiary corporation" or "parent corporation" as those terms are defined in Section 424(e) and (f) of the Code, and shall not be granted to non-employee Directors or independent contractors. If an Option Holder ceases to be employed by the Corporation and/or all "subsidiary corporations" or "parent corporations" as those terms are defined in Section 424(e) and (f) of the Code, other than by reason of death or disability (meaning "permanent and total disability" as defined in Section 22(e)(3) of the Code), Options shall be eligible for treatment as ISOs only if exercised no later than three months following such termination of employment.

7.2 ***ISOs.*** The maximum number of Options that may be granted as ISOs is equal to the maximum number of Shares issuable under Section 3.3. The terms and conditions of any ISOs granted hereunder, including the eligible recipients of ISOs, shall be subject to the provisions of Section 422 of the Code, and the terms, conditions, limitations and administrative procedures established by the Board from time to time in accordance with this Plan. At the discretion of the Board, ISOs may be granted to any Employee of the Corporation, its "parent corporation" or any "subsidiary corporation"of the Corporation, as such terms are defined in Sections 424(e) and (f) of the Code.

7.3 ***lSO Grants to 10% Shareholders.*** Notwithstanding anything to the contrary in this Plan, if an ISO is granted to a Person who owns shares representing more than ten percent of the voting power of all classes of shares of the Corporation or of a "subsidiary corporation" or "parent corporation", as such terms are defined in Section 424(e) and (f) of the Code, the term of the Option shall not exceed five years from the time of grant of such Option and the Exercise Price shall be at least 110 percent (110%) of the Market Price (at the time of grant) of the Shares subject to the Option.

7.4 ***$100,000 Per Year Limitation for ISOs.*** To the extent the aggregate Market Price (determined at the time of grant) of the Shares for which ISOs are exercisable for the first time by any Person during any calendar year (under all plans of the Corporation) exceeds $100,000, such excess ISOs shall be treated as nonqualified stock options.

7.5 ***Disqualifying Dispositions.*** Each Person awarded an ISO under this Plan shall notify the Corporation in writing immediately after the date he or she makes a disqualifying disposition of any Shares acquired pursuant to the exercise of such ISO. A disqualifying disposition is any disposition (including any sale) of Shares before the later of (i) two years after the time of grant of the ISO or (ii) one year after the date the Person acquired the Shares by exercising the ISO. The Corporation may, if determined by the Board and in accordance with procedures established by it, retain possession of any Shares acquired pursuant to the exercise of an ISO as agent for the applicable Person until the end of the period described in the preceding sentence, subject to complying with any instructions from such Person as to the sale of such Share.

7.6 ***Section 409A.*** Any Options granted to U.S. Taxpayers shall be limited to Employees or Consultants providing services to the Corporation or to an affiliate which is an "eligible issuer", as defined in final Treas. Reg. 1.409A-1(b)(iii) (this includes corporate subsidiaries in which the Corporation has a controlling interest).

(a) No extension of term of an Option shall extend beyond the latest date that the right could have expired by its original terms.

(b) Any replacement options issued under Section 3.5 or 6.6 of this Plan shall comply with U.S. Treas. Reg. 1.424-1 as if the Option were a incentive stock option (ISO) so that the ratio of the Exercise Price to the fair market value of Shares subject to the Options immediately after the replacement may not be greater than the ratio of the Exercise Price to the fair market value of Shares subject to the Options immediately before the replacement.

7.7 ***Transferability.*** Notwithstanding any other provision in this Plan, an ISO is not transferable except by will or by the laws of descent and distribution, and may be exercised, during the Option Holder's lifetime, only by such Option Holder.

Adopted by the Board on October 8, 2008, as amended on April 29, 2009, March 1, 2011, May 22, 2013, October 5, 2015, May 11, 2016, June 8, 2017, July 27, 2018, April 15, 2019, March 31, 2020 and August 27, 2020 and last approved by the shareholders on September 30, 2020.

INDEPENDENT CONTRACTOR AGREEMENT

THIS INDEPENDENT CONTRACTOR AGREEMENT (the **"Agreement")** 1s made **September 14, 2020 (the "Effective Date").**

BETWEEN:

ACASTI PHARMA INC.

(the **"Company")**

- and-

PFC BUSINESS ADVISORY SERVICES INC.

(the **"Contractor")**

(collectively referred to as the **"Parties")**

WHEREAS the Company wishes to retain the Contractor as an independent contractor to provide certain services to the Company, on the terms and conditions set forth in this Agreement.

THEREFORE , the Parties agree as follows:

1. TERM OF AGREEMENT

(a) The term of this Agreement shall be for the period commencing on the Effective Date and continuing until March 14, 2021 unless terminated earlier in accordance with the provisions contained herein. Upon the mutual agreement of the Parties, the term may be extended for one or more additional three (3)-month periods. Reference to **"term"** in this Agreement shall include any mutually agreed period of renewal or extension.

(b) This Agreement may be terminated at any time and for any reason during this period by:

(i) the Contractor providing the Company with 90 days prior written.notice; or

(ii) the Company providing the Contractor with 90 days prior written notice (the **"Company Notice Period").**

(c) The Contractor agrees and acknowledges that: (i) instead of providing the Company Notice Period, the Company may, in its sole discretion, elect to pay to the Contractor the Fees that would have been payable during the Company Notice Period; and (ii) the Company Notice Period shall be in full satisfaction of all entitlements to notice of termination or severance pay that the Contractor may have under common law, civil law or contract. In the event that it is determined that the Company Notice Period is less than the notice of termination, severance pay,

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benefits and other entitlements required to be provided to the Contractor (or the Designee) under any applicable legislation, including employment standards legislation if it is determined that such legislation applies to the Contractor (or the Designee) (all such legislation, **"Applicable Legislation"),** then only the applicable minimum requirements under Applicable Legislation will apply, and any common law or civil law notice will not apply

(d) Notwithstanding Section](b)(ii), the Company may tenninate this Agreement at any time without prior notice, for fraud, dishonesty, wilful neglect, misconduct, or any material breach of the terms hereof by the Contractor, subject only to the Company fully complying with any applicable minimum requirements under Applicable Legislation.

(e) Subject only to the Company fully complying with any applicable minimum requirements under Applicable Legislation, upon termination of this Agreement for any reason whatsoever:

(i) the Contractor shall have no further claims against the Company for damages of any nature whatsoever under common law, civil law or contract; and

(ii) the Company shall only be responsible for the payment of;

A. any reasonable pre-approved expenditures properly incurred by the Contractor under this Agreement up to the effective date of termination; and

B. for payment of any Fees accrued under this Agreement up to the effective date of termination or payment in lieu of Fees; and

(iii) the Contractor shall be under a duty to mitigate all damages that the Contractor may claim or assert an entitlement to in respect of the termination of this Agreement.

(f) Sections 5, 7 and 8 shall survive the termination or expiration of this Agreement and shall remain binding upon the Contractor.

2. SERVICES TO BE PROVIDED

(a) The Company hereby retains the Contractor to perform those services set out in Schedule A of this Agreement and such other tasks as shall be assigned to the Contractor by the Company or any designee of the Company at any time and from time to time (collectively, the **"Services").**

(b) The Company grants the Contractor the authority and discretion to do such things as may be reasonably necessary for the purposes of performing the Services. However, the Contractor shall not have the authority or discretion to enter into any agreement, contract or understanding that legally binds the Company or otherwise assume, create or incur any obligations or liabilities on behalf of the Company,

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except as expressly provided for in this Agreement, withqut first obtaining the prior written consent of the Company.

(c) The Contractor shall provide Brian Ford (the **"Designee")** to render the Services and the Designee shall render the Services primarily at the Company's offices, and such other places as the Company and the Contractor may mutually agree; *provided, however,* that the Designee will be made available by the Contractor to travel from time to time to such other locations of the Company as may be reasonably necessary in order to discharge the Services. The Parties agree that during the term the Designee will remain solely the employee of the Contractor and shall not be an employee of the Company. For purposes of this Agreement, all references to the "Contractor" shall also include and bind the Designee.

3. FEES AND EXPENSES

[n consideration of the Services provided, the Company shall pay to the Contractor a fee of CON $36,000, plus HST (at a rate if 13%), per month in which Services are rendered (the **"Fee").** Payments will be made concurrently with the Company's payroll practices at $18,000 plus HST per pay period. The Contractor shall provide the Company with a purchase order confirmation with respect to the Services, such purchase order confirmation shall clearly reference the Contractor's goods and services tax registration number(s).

The Company will reimburse the Contractor for all necessary and reasonable out-of-pocket expenses directly related to performance of the Services by the Contractor. Any expenses in excess of$ 1,000 must be pre-approved by the Company (in advance of being incurred). All expenses, to the extent possible, will be substantiated by original written receipts and submitted for reimbursement within 30 days of being submitted to the Company for reimbursement.

4. HOURS OF WORK

There shall be no set hours of work. However, the Contractor agrees to be reasonably available to provide Services to the Company as may be required. The Contractor acknowledges that there may be special circumstances which will require Services to be provided outside standard working hours for which no additional compensation will be provided.

S. INDEPENDENT CONTRACTOR

The Contractor is and shall remain at all times an independent contractor and is not, and shall not represent the Contractor or Designee to be an agent, joint venturer, partner, director or employee of the Company. Nothing contained in this Agreement is intended to create nor shall be construed as creating an employment relationship between the Contractor (or the Designee) and the Company. The Contractor has sole responsibility, as an independent contractor, to comply with all laws, rules and regulations relating to the provision of Services, including without limitation, requirements under the *Income Tax Act* (Canada), the *Employment Insurance Act* (Canada), and the *Canada Pension Plan Act.* As an independent contractor, the Consultant shall not be entitled to any employment related benefits, including without limitation, any payments under the *Employment Standards Act* (Ontario) or the equivalent legislation in the Province of Quebec. The Contractor shall be responsible for deducting any and all applicable federal and provincial taxes, deductions, premiums, and amounts owing with respect to those Fees paid by the Company. The

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Contractor further agrees to indemnify and hold the Company, its directors, officers, agents and employees harmless from and against any and all liabilities, claims, demands, suits, losses, fines, surcharges, damages, costs and expenses in respect of any failure on the part of the Company to (i) withhold any taxes, premiums, payments, benefit overpayments, levies or other amounts from all or any part of the Fees or other amounts paid to the Contractor during the term of this Agreement; or (ii) comply with requirements to make payments under Applicable Legislation.

6. CONFLICT OF INTEREST

The Contractor agrees that, during the term of this Agreement, the Contractor will not, without the prior written consent of the Company, engage in, accept employment from, perform services for, or become affiliated with or connected with, either directly or indirectly, any person, firm, corporation, partnership or other business entity which is doing business with the Company relative to any project worked on by the Contractor under this Agreement, and further agrees that the Contractor will avoid all circumstances and actions which would place the Contractor in a position of divided loyalty with respect to the Contractor's obligations in connection with this Agreement.

7. **CONFIDENTIALITY OF INFORMATION AND OWNERSIDP OF PROPRIETARY PROPERTY**

Upon execution and delivery of this Agreement, the Contractor shall execute and deliver the Confidentiality of Information and Ownership of Proprietary Property Agreement, attached in Schedule B of this Agreement.

8. HEALTH AND SAFETY, DAMAGE TO PROPERTY

The Contractor shall comply with applicable health and safety laws, and hereby agrees to indemnify and hold harmless the Company, its directors, officers, agents and employees from and against any and all claims, demands, suits, losses, fines, surcharges, damages, costs and expenses arising out of the Contractor's failure to comply with such laws. The Contractor further agrees to indemnify and hold the Company, its directors, officers, agents and employees harmless from and against any and all liabilities, claims, demands, suits, losses, fines, surcharges, damages, costs and expenses relating to the injury or death of any person, damage to or destruction of any property, which is directly or indirectly caused by any act or omission on the part of the Contractor or any employees of the Contractor engaged in providing Services to the Company.

9. SEVERABILITY

In the event that any covenant, provision or restriction contained in this Agreement is found to be void or unenforceable (in whole or in part) by a court of competent jurisdiction, it shall not affect or impair the validity of any other covenant, provisions or restrictions contained herein, nor shall **it** affect the validity or enforceability of such covenants, provisions or restrictions in any other jurisdiction or in regard to other circumstances . Any covenants, provisions or restrictions found to be void or unenforceable are declared to be separate and distinct, and the remaining covenants, provisions and restrictions shall remain in full force and effect.

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10. PROTECTION OF COMPANY INTERESTS

10.1 Non-Competition/Non-Solicitation

The Consultant will not, either while providing Services to the Company or for a period of one (1) year subsequent to the termination or expiration of this Agreement, for any reason, without the Company's prior written consent, either as an individual, or in conjunction with any other person, finn, corporation, or other entity, whether acting as a principal, agent, employee, consultant, or in any capacity whatsoever:

(a) engage in or in any way be concerned with any business or enterprise relating to the business of the Company within the territory of Canada and the U.S.;

(b) solicit, attempt to solicit, call upon, or accept the business of any finn, person or company who is or was a customer, client, supplier or distributor of the Company;

(c) take advantage of, derive a benefit or otherwise profit from any business opportunities that the Consultant became aware of in the course of providing Services to the Company even if the Company does not take advantage of or exploit such opportunities;

(d) take any action as a result of which relations between the Company and its customers, clients, suppliers, distributors, employees or others may be impaired or which might otherwise be detrimental to the business interests or reputation of the Company;

(e) solicit, attempt to solicit, or communicate in any way with any employees or consultants of the Company for the purpose of having such employees or consultants employed or in any way engaged by another person, firm, corporation, or other entity; or

(t) hire, whether as an employee, consultant or otherwise, any person who, either at the time the Consultantis providing Services to the Company, or who at any time within the preceding twelve month period was employed or engaged by the Company.

10.2 Vital Consideration

The Consultant agrees that the covenants and restrictions contained in the preceding paragraph are reasonable and valid in terms of time, scope of activities and geographical limitations and understands and agrees that they are vital consideration for the purposes of the Company entering into this Agreement.

10.3 Interpretation

For purposes of this Article I 0, all references to the "Company" shall include the Company and its affiliates.

11. CHANGES TO AGREEMENT

Any modifications or amendments to this Agreement must be in writing and signed by both Parties or else they shall have no force and effect. The Parties specifically acknowledge that the Company's continued retention of the Contractor shall be sufficient and ample consideration supporting any future modifications or amendments to this Agreement.

12. ENUREMENT

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and assigns, including without limitation, the Contractor's heirs, executors, administrators and personal representatives.

13. ASSIGNMENT

The Contractor may not assign any of the Contractor's rights or delegate any of the Contractor's duties orresponsibilities under this Agreement, without the Company's prior written consent. The Company may, without the consent of the Contractor, assign its rights, duties and obligations under this Agreement to an affiliate or to a purchaser of all, or substantially all of the assets of the Company.

14. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Parties and supersedes and replaces any and all other representations, understandings, negotiations and previous agreements, written or oral, express or implied.

15. LEGAL ADVICE

The Contractor acknowledges that the Contractor has read and understands the terms and conditions contained in this Agreement, and that the Company has provided a reasonable opportunity for the Contractor to seek independent legal advice prior to executing this Agreement.

16. CURRENCY

All dollar amounts set forth or referred to in this Agreement refer to Canadian currency.

17. NOTICES

17.1 Notice to Contractor

Any notice required or permitted to be given to the Contractor shall be deemed to have been received if delivered personally to the Contractor, sent to **(contractor address],** or if mailed by registered mail to the Contractor's business address last known to the Company.

17.2 Notice to Company

Any notice required or permitted to be given to the Company shall be deemed to have been received if delivered personally to, mailed by registered mail, or sent to 3009 boul. de la Concorde E., Suite I 02, Laval, Quebec, H7E 2B5, addressed to the attention of the Chief Executive Officer.

18. GOVERNING LAW

This Agreement shall be interpreted and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

19. LANGUAGE

The parties hereto have expressly required that this agreement and documents ancillary thereto be drafted in the English language*Les parties a la presente ont expressement exige que le present accord et Jes documents qfferents soient rediges en langue anglaise.*

IN WITNESS OF WHICH the Parties have duly executed this Agreement:

ACASTI PHARMA INC.

/s/ Janelle D'Alvise
Name: Jan D'Alvise
Title: President and CEO

PFC BUSINESS ADVISORY SERVICES INC.

By:
/s/ Brian Ford
Name: Brian Ford
Title: Authorized Signatory

SCHEDULE A

SERVICES TO BE PROVIDED

All such services and duties for the Company comparable to those performed by a Chief Financial Officer of a public company in a similar industry and at a comparable stage of development as the Company.

SCHEDULE B

CONFIDENTIALITY OF INFORMATION
AND OWNERSHIP OF PROPRIETARY PROPERTY AGREEMENT

AMENDMENT TO INDEPENDENT CONTRACTOR AGREEMENT

THIS AMENDMENT TO INDEPENDENT CONTRACTOR AGREEMENT is made effective as of March 15, 2021.

BETWEEN:

ACASTI PHARMA INC.

(the **"Company")**

-and-

PFC BUSINESS ADVISORY SERVICES INC.

(the **"Contractor")**

(collectively referred to as the **"Parties")**

WHEREAS the Company and the Contractor are parties to an independent contractor agreement dated September 14, 2020 (the **"Contractor Agreement").**

AND WHEREAS The Contractor and the Company wish to mutually amend the Contractor Agreement in order to extend the term of the Contractor Agreement in accordance with the terms and conditions of this amendment (the **"Amendment").**

THEREFORE, for good and sufficient consideration, the Parties agree as follows

1. Pursuant to section l(a) of the Contractor Agreement, the term of the Contractor Agreement shall be extended for an additional three (3) months from March 15, 2020 to June 14, 2021, unless terminated earlier in accordance with the provisions contained in the Contractor Agreement. Reference to **"term"** in the Contractor Agreement shall include any mutually agreed period of renewal or extension, including the extension by virtue of this Amendment.

2. Except as otherwise provided in this Amendment, all terms and conditions of the Contractor Agreement shall continue in full force and effect.

3. This Amendment shall be interpreted and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

4. This Amendment may be executed in counterparts and delivered by means of facsimile or portable document format (PDF), each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument.

IN WITNESS OF WHICH the Parties have duly executed this Amendment:

ACASTI PHARMA INC.

/s/ Janelle D'Alvise
Name: Jan D'Alvise
Title: President and CEO

PFC BUSINESS ADVISORY SERVICES INC.

By:
/s/ Brian Ford
Name: Brian Ford
Title: Authorized Signatory

AMENDMENT TO INDEPENDENT CONTRACTOR AGREEMENT

THIS AMENDMENT TO INDEPENDENT CONTRACTOR AGREEMENT is made effective as of June 16, 2021.

BETWEEN:

ACASTI PHARMA INC.

(the **"Company")**

-and-

PFC BUSINESS ADVISORY SERVICES INC.

(the **"Contractor")**

(collectively referred to as the **"Parties")**

WHEREAS the Company and the Contractor are parties to an independent contractor agreement dated September 14, 2020 (the **"Contractor Agreement").**

AND WHEREAS The Contractor and the Company wish to mutually amend the Contractor Agreement in order to extend the term of the Contractor Agreement in accordance with the terms and conditions of this amendment (the **"Amendment").**

THEREFORE, for good and sufficient consideration, the Parties agree as follows

1. Pursuant to section l(a) of the Contractor Agreement, the term of the Contractor Agreement shall be extended for an additional three (3) months from June 15, 2020 to September 14, 2021, and will automatically be extended if needed through the closing of the acquisition of Grace, unless terminated earlier in accordance with the provisions contained in the Contractor Agreement. Reference to **"term"** in the Contractor Agreement shall include any mutually agreed period of renewal or extension, including the extension by virtue of this Amendment.

2. Except as otherwise provided in this Amendment, all terms and conditions of the Contractor Agreement shall continue in full force and effect.

3. This Amendment shall be interpreted and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.
4. This Amendment may be executed in counterparts and delivered by means of facsimile or portable document format (PDF), each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument.

IN WITNESS OF WHICH the Parties have duly executed this Amendment:

ACASTI PHARMA INC.

/s/ Janelle D'Alvise
Name: Jan D'Alvise
Title: President and CEO

PFC BUSINESS ADVISORY SERVICES INC.

By:
/s/ Brian Ford
Name: Brian Ford
Title: Authorized Signatory

Exhibit 23.1

KPMG LLP
600 de Maisonneuve Blvd West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Tel. 514-840-2100
Fax. 514-840-2187
www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-191383 and No. 333-227476) on Form S-8 and (No. 333-239538) on Form S-3 of Acasti Pharma Inc. of our report dated June 22, 2021, with respect to the consolidated balance sheets of Acasti Pharma Inc. as of March 31, 2021 and 2020, the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended March 31, 2021 and 2020, and the related notes.

KPMG LLP

Montréal, Canada

June 22, 2021

Exhibit 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Janelle D'Alvise, certify that:

1. I have reviewed this Annual Report on Form 10-K of Acasti Pharma Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2021

/s/ Janelle D'Alvise
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Ford, certify that:

1. I have reviewed this Annual Report on Form 10-K of Acasti Pharma Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2021

/s/ Brian Ford
Chief Financial Officer

Exhibit 32.1

SECTION 906 CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) in connection with the Annual Report on Form 10-K of Acasti Pharma Inc. for the annual period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer hereby certifies, to such officer's knowledge, that:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Acasti Pharma Inc.

/s/ Janelle D'Alvise

Name: Janelle D'Alvise
Title: Chief Executive Officer
Date: June 22, 2021

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by Acasti Pharma Inc. for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

Exhibit 32.2

SECTION 906 CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) in connection with the Annual Report on Form 10-K of Acasti Pharma Inc. for the annual period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer hereby certifies, to such officer's knowledge, that:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Acasti Pharma Inc.

/s/ Brian Ford
Name: Brian Ford
Title: Chief Financial Officer
Date: June 22, 2021

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by Acasti Pharma Inc. for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.