

*This rights offering circular (this “Circular”) is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Circular. Any representation to the contrary is an offence.*

*This is the Circular we referred to in the October 19, 2020 rights offering notice which you should have already received. Your rights certificate (if applicable) and relevant forms were enclosed with the rights offering notice. This Circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision.*

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the “United States” (as defined in Regulation S under the U.S. Securities Act). This Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States, and the securities offered herein may not be offered or sold in or into the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws, or pursuant to an exemption from such registration requirements as described herein. “United States” and “U.S. persons” are as defined in Regulation S under the U.S. Securities Act.*

**Rights Offering Circular**

**October 19, 2020**



**ACERUS PHARMACEUTICALS CORPORATION**

**Offering of Rights to acquire 526,600,000 Common Shares at a Subscription Price of \$0.025 per Common Share for aggregate gross proceeds of \$13,165,000**

**We currently have sufficient working capital to last one month. We require 100% of the offering to last seven months.**

Reference in this Circular to “we”, “our”, “us” and similar terms means Acerus Pharmaceuticals Corporation (“Acerus” or the “Company”). Reference in this Circular to “you”, “your” and similar terms mean to Acerus shareholders (“Shareholders”). Unless otherwise indicated, reference herein to “\$” or “dollar” are to Canadian dollars. Certain terms used in this Circular are defined elsewhere herein.

**SUMMARY OF OFFERING**

**WHY ARE YOU READING THIS CIRCULAR?**

Acerus is issuing to the holders of common shares in the capital of the Company (the “Common Shares”) of record at 5:00 p.m. (Toronto time) on October 27, 2020 (the “Record Date”) and who are resident in any of the provinces or territories of Canada (the “Eligible Jurisdictions”) and outside the Eligible Jurisdictions where the Company is eligible to make such offer, transferrable rights (“Rights”) to subscribe for Common Shares on the terms described in this Circular (the “Rights Offering”). This Circular provides additional details about the Rights Offering referred to in the Rights Offering notice dated October 19, 2020 (the “Notice”), a copy of which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and will be mailed to the holders of Common Shares on or about November 2, 2020. This Circular should be read in conjunction with the Notice and our continuous disclosure prior to making an investment decision.

Enquiries relating to the Rights Offering should be directed to Robert Motz, Chief Financial Officer of the Company at (905) 817-8288 or [rmotz@aceruspharma.com](mailto:rmotz@aceruspharma.com).

## WHAT IS BEING OFFERED?

Each holder of Common Shares on October 27, 2020 (the Record Date) resident in an Eligible Jurisdiction (an “**Eligible Holder**”) will receive one Right for each Common Share held as of the Record Date. An aggregate of 1,010,988,081 Rights are expected to be issued to subscribe for 526,600,000 Common Shares pursuant to the Rights Offering. The final number of Rights to be issued will depend on the actual number of issued and outstanding Common Shares on the Record Date.

## WHAT DOES ONE RIGHTS ENTITLE YOU TO RECEIVE?

Each Right entitles you to subscribe for 0.520876566 Common Shares upon payment of the Subscription Price (as defined below) for each whole Common Share (the “**Basic Subscription Privilege**”). As a result, you need 1.91984064 Rights to acquire one Common Share. No fractional Common Shares will be issued. If you exercise your Basic Subscription Privilege in full, you will also be entitled to subscribe on a pro rata basis for Common Shares (the “**Additional Common Shares**”) not otherwise subscribed for, if any, pursuant to the Basic Subscription Privilege (the “**Additional Subscription Privilege**”). The number of Additional Common Shares available will be the difference, if any, between the total number of Common Shares available pursuant to the Rights Offering and the total number of Common Shares subscribed and paid for pursuant to the Basic Subscription Privilege by all Rights holders at the Expiry Time (as defined below).

No fractional Common Shares will be issued. Where the exercise of Rights would otherwise have entitled a Rights holder to receive fractional Common Shares, the Rights holder’s entitlement will be rounded down to the next lowest whole number of Common Shares, with no additional compensation.

## WHAT IS THE SUBSCRIPTION PRICE?

The subscription price per whole Common Share is \$0.025 (the “**Subscription Price**”).

On October 19, 2020, the last trading day prior to the announcement of the Rights Offering, the closing price of the Common Shares on the Toronto Stock Exchange (the “**TSX**”) was \$0.04.

## WHEN DOES THE OFFER EXPIRE?

The Rights may be exercised commencing on November 2, 2020 until 5:00 p.m. (Toronto time) on November 24, 2020 (the “**Expiry Time**”). **Rights not exercised prior to the Expiry Time will be void and of no value.**

The Company reserves the right to extend the Expiry Date, in its sole discretion, subject to obtaining any required regulatory approvals, if the Company determines that the timely exercise of the Rights may have been prejudiced due to disruption in postal service.

## WHAT ARE THE SIGNIFICANT ATTRIBUTES OF THE RIGHTS ISSUED UNDER THE RIGHTS OFFERING AND THE SECURITIES TO BE ISSUED UPON THE EXERCISE OF THE RIGHTS?

Each Right will entitle the holder thereof to subscribe for 0.520876566 Common Share at the Subscription Price prior to the Expiry Time. Rights not exercised prior to the Expiry Time will be void and of no value. During the period prior to the Expiry Time, the Rights will trade on the TSX and holders of Rights may sell their Rights through facilities of the TSX.

The Rights are fully transferable into and within Canada and will be evidenced by transferable rights certificates (each, a “**Rights Certificate**”), which will be in registered form. The Rights may not be transferred to any person within the United States. The Rights held by holders in the United States may be transferred only through the facilities of the TSX in transactions that comply with Regulation S under the U.S. Securities Act.

A Right does not entitle the holder thereof to any rights whatsoever as a security holder of the Company other than the right to subscribe for and purchase Common Shares on the terms and conditions set forth in the Rights Certificate.

The authorized capital of the Company consists of an unlimited number of Common Shares without par value. As at the date hereof, there are 1,010,988,081 Common Shares issued and outstanding as fully paid and non-assessable. In addition, as of the date hereof, the Company has outstanding incentive stock options to purchase 67,357,689 Common Shares, as well as outstanding warrants to purchase 9,727,921 Common Shares. Assuming all of the Rights are exercised and no other issuances of Common Shares occur before the Expiry Time, the Company will have 1,537,588,081 Common Shares outstanding immediately after the Expiry Time.

Each Common Share entitles the holder thereof to receive notice of and exercise one vote at all meetings of Shareholders. The holders of Common Shares are entitled to such dividends as the Company's board of directors may declare from time to time, which dividends are payable in money or property or by issuing fully paid Common Shares or options or rights to acquire fully paid Common Shares. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its Shareholders for the purpose of winding-up its affairs, the holders of Common Shares are entitled to share equally the remaining property and assets of the Acerus. There are no pre-emptive, redemption, purchase or conversion rights attached to Common Shares.

#### **WHAT ARE THE MINIMUM AND MAXIMUM NUMBER OR AMOUNT OF COMMON SHARES THAT MAY BE ISSUED UNDER THE RIGHTS OFFERING?**

The Rights Offering is not subject to any minimum subscription level; however, the Company has obtained a stand-by commitment from First Generation Capital Inc. ("**First Generation**"), to subscribe for such number of Common Shares that are available to be purchased, but not otherwise subscribed for under the Rights Offering, that will result in 100% of the Common Shares that may be issued pursuant to the Rights Offering being issued. Based on the 1,010,988,081 Common Shares outstanding as of the date hereof, and assuming the exercise of all Rights, a maximum of 526,600,000 Common Shares will be issued upon exercise of the Rights.

#### **WHERE WILL THE RIGHTS AND THE SECURITIES ISSUABLE UPON THE EXERCISE OF THE RIGHTS BE LISTED FOR TRADING?**

The Common Shares are listed on the TSX under the symbol "ASP" and on the OTCQB Venture Market under the symbol "ASPCF". The TSX has approved the listing of the Rights and the Common Shares issuable upon the exercise of the Rights. The Rights will be listed on the TSX under the symbol "ASP.RT" and holders of Rights may sell their Rights through facilities of the TSX. See "*Are there restrictions on the resale of securities?*" below. Trading in the Rights on the TSX will cease at 12:00 p.m. (Toronto time) on November 24, 2020.

#### **FORWARD LOOKING STATEMENTS**

This Circular contains certain "forward-looking statements" and "forward-looking information" as defined under applicable Canadian securities laws (collectively, "**forward-looking statements**"). All statements, other than statements of historical fact, are forward-looking statements. When used in this Circular, the words "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will", or the negatives of these words or other variations thereof and comparable terminology are intended to identify forward-looking statements. The forward-looking statements pertain to, among other things: the timing of and other procedural matters associated with the Rights Offering; the funds to be raised under the Rights Offering; estimated costs of the Rights Offering; the successful completion of the Rights Offering; the use of proceeds from the Rights Offering; the Company's estimate of how long the funds raised in the Rights Offering will last from the Expiry Time; the anticipated dilution of Shareholders; and liquidity and working capital of the Company.

The forward-looking statements are based on a number of key expectations and assumptions made by management of the Company, including, but not limited to: the maximum number of Common Shares being issued pursuant to

the Rights Offering; the estimated cost of the Rights Offering; the estimated amount of funds raised under the Rights Offering; the operating expenses of the Company following the Expiry Time; the availability of additional capital; the Company's ability to continue as a going concern; and general economic and financial market conditions.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on such forward-looking statements. The forward-looking statements reflect the Company's current views with respect to future events based on currently available information and are inherently subject to risks and uncertainties. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this Circular, including, but not limited to: the maximum number of Common Shares being issued pursuant to the Rights Offering being lower than expected; the uncertainty associated with estimating actual costs incurred in the Rights Offering; the actual amount of funds raised under the Rights Offering; the actual operating expenses of the Company for the 12-month period following the Expiry Time; delays in obtaining or failure to obtain required approvals to complete the Rights Offering; the impact of issuance of additional Common Shares on the market price of the Common Shares; the condition of the global economy; the impact of the COVID-19 pandemic; and the Company's access to funding and its ability to provide the capital required for product development, operations and marketing efforts, and working capital requirements.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Although the Company has attempted to identify important factors that could cause actual results to differ materially from forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, described or intended. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect changes in assumptions or the occurrence of anticipated or unanticipated events, except as required by law.

**The Company qualifies all the forward-looking statements contained in this Circular by the foregoing cautionary statements.**

#### **NOTE TO U.S. SHAREHOLDERS**

**NEITHER THIS RIGHTS OFFERING NOR THE RIGHTS NOR THE COMMON SHARES ISSUABLE UPON EXERCISE OF THE RIGHTS HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THIS RIGHTS OFFERING OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS RIGHTS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The Rights and Common Shares issuable upon exercise of the Rights have not been and will not be registered under the U.S. Securities Act, or applicable state securities laws. Shareholders that have an address in the United States, are U.S. residents, or are in the United States at the time of the receipt or exercise of the Rights, cannot participate in the Rights Offering unless such Shareholder can provide evidence satisfactory to Acerus that such Shareholder is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the U.S. Securities Act ("**Regulation D**") in a manner which satisfies the requirements of Rule 506(c) of Regulation D.

This Circular has been prepared in accordance with the disclosure requirements of applicable Canadian securities laws. Prospective investors should be aware that those requirements are different from those of the United States. Financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and are subject to Canadian auditing and

auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition or disposition of the securities described in this Circular may have tax consequences in Canada, the United States, or elsewhere. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should consult their own tax advisors with respect to such tax considerations.

The enforcement by investors of civil liabilities under United States federal securities laws may be adversely affected by the fact that the Company is governed by the laws of Ontario, Canada, that some or all of its officers and directors may be residents of a country other than the United States, that some or all of the experts named in the Circular may be located outside of the United States and that all or a substantial portion of the assets of said persons may be located outside the United States.

### USE OF AVAILABLE FUNDS

#### WHAT WILL ACERUS' AVAILABLE FUNDS BE UPON THE CLOSING OF THE RIGHTS OFFERING?

The following table outlines our available funds upon closing of the Rights Offering:

	<b>Assuming 100% of offering<sup>(1)</sup></b>
A Amount to be raised by this offering	\$13,165,000
B Selling commissions and fees	Nil <sup>(2)</sup>
C Estimated offering costs (e.g., legal, accounting, audit)	\$150,000
D Available funds: $D = A - (B+C)$	\$13,015,000
E Additional sources of funding required	Nil
F Working capital deficiency	Nil
G Total: $G = (D+E) - F$	\$13,015,000

Note:

- (1) Acerus has entered into the Standby Commitment Agreement (as defined below) whereby First Generation has agreed to purchase such number of Common Shares that are available to be purchased, but not otherwise subscribed for under the Rights Offering, that will result in 100% of the Common Shares that may be issued pursuant to the Rights Offering being issued.
- (2) Acerus has not retained any party to solicit subscriptions for Common Shares pursuant to the Rights Offering and is not paying a fee to First Generation in connection with the Standby Commitment Agreement.

## HOW WILL WE USE THE AVAILABLE FUNDS?

Description of intended use of available funds listed in order of priority	Assuming 100% of offering <sup>(1)</sup>
Repayment of principal and payment of interest on existing indebtedness to SWK Funding LLC <sup>(2)</sup>	\$1,457,366
Research and development	\$2,018,195
Working capital	\$9,539,440
Total: Equal to G in the available funds	\$13,015,000

Note:

- (1) Acerus has entered into the Standby Commitment Agreement (as defined below) whereby First Generation has agreed to purchase such number of Common Shares that are available to be purchased, but not otherwise subscribed for under the Rights Offering, that will result in 100% of the Common Shares that may be issued pursuant to the Rights Offering being issued.
- (2) In October 2018, Acerus entered into the Credit Facility (as defined below). As of June 30, 2020, the Company had US\$8.8 million outstanding under the Credit Facility.

Acerus currently has funds sufficient to execute its primary business plan and discharge liabilities as they become due for approximately the next one month. Upon completion of the Rights Offering we will be able to execute our primary business plan for seven months. If other sources of financing are not arranged, the Company will have a working capital deficiency in approximately six to seven months. **For this reason, there are material uncertainties that cast significant doubt upon the issuer's ability to continue as a going concern.**

The Company plans to use \$1,457,366 of the net proceeds of the Rights Offering to make repayments of principal and interest under its existing senior secured term loan credit facility (the "**Credit Facility**") with SWK Funding LLC ("**SWK**"). Acerus entered into the Credit Facility on October 12, 2018, and immediately received \$9.0 million from SWK. The Credit Facility bears interest at a rate per annum equal to the greater of (i) the three-month London Inter-Bank Offered Rate, or (ii) 1.50%, with such base rate being capped at no greater than 4.25%, plus an applicable margin of 10.50%. The Credit Facility matures on October 11, 2023. The Credit Facility was interest-only for the first two years of the term; however, the Credit Facility was amended on February 12, 2020 such that, among other things, the date on which the Company must begin repaying principal was delayed from Q1-2021 to Q2-2021 but for a requirement to prepay \$0.75 million of principal in three instalments during 2020. As of June 30, 2020, the Company had US\$8.8 million outstanding under the Credit Facility.

The proceeds from the Credit Facility have been used primarily to (i) repay the amount outstanding under the \$5.0 million debt facility from Quantius Inc., including a prepayment penalty and royalty retirement fee, which was repaid in October 2018; (ii) retire the promissory note issued by Acerus in favour of Endo Bermuda Ventures Limited on June 30, 2016, which was retired in October 2018; and (iii) for ongoing general working capital.

The Company further plans to use \$2,018,195 of the net proceeds of the Rights Offering for research and development purposes. The Company's research and development will be focused on new and ongoing studies on the efficacy of Natesto and its impact on ambulatory blood pressure and cardiovascular safety.

The Company plans to spend \$852,000 of the estimated \$2,018,195 research and development expenditure on clinical and non-clinical trials for Natesto. These trials will be conducted in order to meet post-marketing requirements established by the US Food and Drug Administration (the "**FDA**") and to meet the requirements for approval of Natesto in the European Union. The impact of Natesto on ambulatory blood pressure and cardiovascular safety will be evaluated in one study as required by the FDA. A non-clinical study evaluating the safety of testosterone and two small environmental impact studies are required to meet the requirements for resubmission of the Natesto dossier for potential European approval. These studies are projected to be completed in 2022 and will require an additional \$3.3 million of funding to complete. All studies will be completed through contract research organizations with supervision by Acerus employees and contractors.

An additional \$651,000 of the estimated \$2,018,195 research and development expenditures will be spent on Natesto product development activities including ongoing formulation optimization and stability studies and the validation of a second source of testosterone active pharmaceutical ingredient. These development activities should be substantially complete once this expenditure is made during 2021.

The final \$515,195 of the estimated \$2,018,195 research and development expenditures are for salaries and benefits for our employees and independent contractors engaged in research and development.

The remainder of net proceeds from the Rights Offering will go towards working capital.

The above use of net proceeds reflects the current intention of the Company based on information currently available to it and on current circumstances, economic and otherwise. The actual use of the net proceeds of the Rights Offering may vary depending on operational and capital needs and the progress of the research and development programs from time to time. Accordingly, management of the Company will have the discretion in the application of the proceeds of the Rights Offering. We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons. Unallocated funds, if any, will be used for general working capital purposes of the Company.

#### **HOW LONG WILL THE AVAILABLE FUNDS LAST?**

The Company expects the net proceeds of the Rights Offering will not be sufficient to meet working capital requirements for the next 12 months. The Company estimates that the net proceeds are sufficient to meet the Company's working capital requirements over the next seven months.

The Company plans to pursue additional financing alternatives; however, our only present means of acquiring investment capital is by means of the sale of our Common Shares. There is no assurance that we will be able to raise additional financing in the future. For these reasons, even if 100% of the Rights Offering is subscribed for, there are material uncertainties that cast substantial doubt that we will be able to continue as a going concern.

#### **INSIDER PARTICIPATION**

##### **WILL INSIDERS BE PARTICIPATING?**

To the knowledge of the Company, after reasonable inquiry, certain directors and senior officers of the Company (collectively, the "**Insider Group**"), as the date hereof, intend to exercise some or all of their Basic Subscription Privilege in connection with the Rights Offering, representing approximately 1.31% Common Shares available under the Rights Offering, being 6,916,451 Common Shares. Members of the Insider Group may alter their intention before the Expiry Time so no assurance can be given that the respective members of the Insider Group will exercise their Rights to acquire Common Shares.

As at the date hereof, insiders of the Company (including First Generation) own or exercise control or direction over, directly or indirectly, 888,360,547 Common Shares, representing approximately 87.87% of the issued and outstanding Common Shares. Assuming the full take-up of their of their Basic Subscription Privileges, these insiders would own an aggregate of 1,351,086,738 Common Shares following the Rights Offering.

First Generation, an insider of the Company that controls 85.77% of the Common Shares, has entered into a Standby Commitment Agreement (as defined below) with the Company dated October 19, 2020, pursuant to which First Generation has agreed to purchase such number of Common Shares that are available to be purchased, but not otherwise subscribed for under the Rights Offering, that will result in 100% of the Common Shares that may be issued pursuant to the Rights Offering being issued.

## WHO ARE THE HOLDERS OF 10% OR MORE OF OUR SECURITIES BEFORE AND AFTER THE RIGHTS OFFERING?

To the knowledge of the Company, after reasonable inquiry, the only persons or companies who beneficially own, or control or direct, directly or indirectly, voting securities of the Company carrying more than 10% of the voting rights attached to the voting securities of the Company are as follows:

Name	Holdings before the Rights Offering <sup>(1)</sup>	Holdings after the Rights Offering <sup>(2)</sup>
First Generation Capital Inc.	867,134,176 Common Shares or 85.77%	1,318,804,047 Common Shares or 85.77%

Note:

- (1) Based on 1,010,988,081 Common Shares issued and outstanding as of the date hereof.
- (2) Assuming First Generation receives such number of Common Shares under the Rights Offering to maintain its pro-rata holdings and no Common Shares are acquired by First Generation pursuant to the Standby Commitment Agreement.

If no Rights are exercised under the Rights Offering, other than those exercised by First Generation pursuant to the Standby Commitment Agreement, following the Rights Offering, First Generation would hold over 90.64% of the Common Shares.

As a result of First Generation exercising control or direction over 85.77% or more of the Common Shares, First Generation is considered to be a related party to the Company under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Rights Offering is not subject to the related party rules under MI 61-101 based on the exception in Section 5.1(k) thereof applicable to certain rights offerings.

### DILUTION

#### IF YOU DO NOT EXERCISE YOUR RIGHTS, BY HOW MUCH WILL YOUR SECURITY HOLDINGS BE DILUTED?

If a Shareholder elects not to exercise Rights, the value of the Common Shares held by such Shareholder may be diluted as a result of the exercise of Rights by other Shareholders by approximately 34.25%, assuming the issuance of the maximum number of Common Shares under the Rights Offering.

### STAND-BY COMMITMENT

#### WHO IS THE STAND-BY GUARANTOR AND WHAT ARE THE FEES?

First Generation is the current controlling shareholder of the Company. Pursuant to the stand-by agreement between the Company and First Generation dated October 19, 2020 (the "**Standby Commitment Agreement**"), First Generation has agreed, subject to certain terms, conditions and limitations, that if less than 100% of the Common Shares that may be issued pursuant to the Rights Offering are subscribed for, First Generation will purchase from Acerus such number of Common Shares that are available to be purchased, but not otherwise subscribed for under the Rights Offering, that will result in 100% of the Common Shares being issued, for aggregate gross proceeds of at least \$13,165,000. First Generation will not be paid a fee in connection with their provision of a stand-by commitment under the Standby Commitment Agreement. First Generation is a "related party" of the Company under applicable securities laws as it controls and directs more than 10% of the issued outstanding Common Shares. First Generation is an entity entirely owned and controlled by Mr. Ian Ihnatowycz, Chairman of the board of directors of the Company.

First Generation may terminate the Standby Commitment Agreement in the following circumstances: (i) Acerus is in material default of its obligations under the Standby Commitment Agreement, or (ii) any of the conditions in favour of First Generation as set forth in the Standby Commitment Agreement are not satisfied or waived by First Generation by the closing time of the Rights Offering.



## HAVE WE CONFIRMED THAT FIRST GENERATION HAS THE FINANCIAL ABILITY TO CARRY OUT ITS STAND-BY COMMITMENT?

To the knowledge of the Company, after reasonable inquiry, First Generation has the financial ability to carry out its stand-by commitment.

## WHAT ARE THE SECURITY HOLDINGS OF FIRST GENERATION BEFORE AND AFTER THE OFFERING?

The security holdings of First Generation are described above under the heading “*Who are the Holders of 10% or More of our Securities Before and After the Rights Offering?*”.

### HOW TO EXERCISE THE RIGHTS

## HOW DOES A SECURITY HOLDER THAT IS A REGISTERED HOLDER PARTICIPATE IN THE RIGHTS OFFERING?

If you are a registered holder of Common Shares on the Record Date resident in an Eligible Jurisdiction, you will find a Rights Certificate enclosed with the Notice mailed to you on or about November 2, 2020. Registered holders of Common Shares resident outside the Eligible Jurisdictions will be sent the Notice for information purposes only, together with a letter advising them that their Rights Certificates will be held by the Rights Agent (as defined below), who will hold such Rights as agent for the benefit of all such Ineligible Shareholders (as defined below).

1.91984064 Rights and payment of the Subscription Price are required to subscribe for one Common Share under the Basic Subscription Privilege. The holder of a Rights Certificate may subscribe for all or any lesser whole number of Common Shares to which the Rights Certificate entitles such holder by completing the Rights Certificate and delivering the Rights Certificate so completed and executed together with the aggregate Subscription Price for such Common Shares to TSX Trust Company, the rights agent retained by Acerus in connection with the Rights Offering (the “**Rights Agent**”). The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of “TSX Trust Company”. All payments, together with the duly completed Rights Certificate, must be sent to the office of the Rights Agent (the “**Subscription Office**”) before the Expiry Time by mail or courier to TSX Trust Company, 301-100 Adelaide Street West, Toronto, ON M5H 4H1 Attention: Corporate Actions. The method of delivery of a subscription is at each holder’s discretion and risk. Delivery to the Rights Agent will only be effective when the subscription is actually received by the Rights Agent at the Subscription Office. If mail is used for delivery of a subscription, sufficient time must be allowed to avoid late delivery, and registered mail is suggested. **Completion of the Rights Certificate constitutes a representation that the holder of a Rights Certificate is neither an Ineligible Shareholder nor the agent of any such person.**

In order to exercise your Rights, you must:

1. **Complete and sign Form 1, 2, 3 or 4, as the case may be, on the Rights Certificate.** The maximum number of Rights that you may exercise under the Basic Subscription Privilege is shown in the box on the upper right hand corner on the face of the Rights Certificate. By completing the appropriate form appearing on the front of the Rights Certificate, a Rights Certificate holder may: (i) subscribe for Common Shares (Form 1); (ii) exercise Additional Subscription Privileges (Form 2); (iii) sell or transfer Rights (Form 3); or (iv) divide or combine the Rights Certificate (Form 4). If you complete Form 1 so as to exercise some but not all of the Rights evidenced by the Rights Certificate, you will be deemed to have waived the unexercised balance of such Rights, unless you otherwise specifically advise the Rights Agent at the time the Rights Certificate is surrendered to the Rights Agent.
2. **Additional Subscription Privilege.** Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. You must exercise the Basic Subscription Privilege in full to be eligible to exercise the Additional Subscription Privilege.

3. **Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of TSX Trust Company.** To exercise the Rights, you must pay \$0.025 per whole Common Share, and 1.91984064 Rights entitles you to purchase one Common Share. In addition to the amount payable for any Common Shares you wish to purchase under the Basic Subscription Privilege, you must also pay the amount required for any Common Shares subscribed for under the Additional Subscription Privilege, if any. Amounts paid in respect of the Additional Subscription Privilege not ultimately used to acquire Rights will be returned to you.
4. **Delivery.** Deliver or mail the completed Rights Certificate (including Form 1 and Form 2) and payment in the enclosed return envelope addressed to the Rights Agent at the address below so that it is received before the Expiry Time. If you are mailing your documents, registered mail is recommended. Please allow sufficient time to avoid late delivery as the payments together with Form 1, Form 2 and any other applicable forms, must be received by the Expiry Time.

TSX Trust Company  
301-100 Adelaide Street West  
Toronto, ON M5H 4H1  
Attention: Corporate Actions

Rights Certificates will expire and be of no value unless they are returned with a properly completed Form 1, 2, 3 or 4, as the case may be, and received with payment for the Common Shares subscribed for, at the office of the Rights Agent before the Expiry Time.

The signature of the Rights Certificate holder must correspond in every particular with the name that appears on the face of the Rights Certificate. Signatures by a trustee, executor, administrator, guardian, attorney, officer of a company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Rights Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscriptions will be determined by Company in its sole discretion, and any determination by the Company will be final and binding. All subscriptions for Common Shares made pursuant to the Rights Offering are irrevocable. The Company reserves the absolute right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be deemed unlawful. The Company is not and will not be under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice.

Certificates for Common Shares issued upon exercise of Rights in accordance with the Rights Offering, including Common Shares purchased through the Additional Subscription Privilege, will be registered in the name of the person to whom the Rights Certificate was issued or to whom the Rights were transferred in accordance with the terms thereof, and mailed to the address of the subscriber for the Common Shares as stated on the Rights Certificate, unless otherwise directed, as soon as practicable after the Expiry Time. Once mailed or delivered in accordance with the instructions of the subscriber, the Company assumes no further responsibility for the certificates evidencing the Common Shares.

#### **HOW DOES A SECURITY HOLDER THAT IS NOT A REGISTERED HOLDER PARTICIPATE IN THE RIGHTS OFFERING?**

Only registered Eligible Holders will be provided with Rights Certificates. For Eligible Holders whose Common Shares are held through a securities broker or dealer, bank or trust company or other participant (each, a "**Participant**") in the book based system administered by CDS Clearing and Depository Services Inc. ("**CDS**") or Depository Trust Company ("**DTC**") (such Shareholders being referred to as "**Beneficial Eligible Holders**"), Rights Certificates will be issued in registered form to CDS or DTC, as the case may be, and will be deposited with CDS or DTC, as the case may be. The Company expects that each Beneficial Eligible Holder will receive a confirmation of the number of Rights issued to it from its Participant in accordance with the practices and procedures of that Participant. CDS and DTC will be responsible for establishing and maintaining book-entry accounts for Participants holding Rights. A Beneficial Eligible Holder holding Common Shares through a Participant may subscribe for Common Shares by

instructing the Participant holding its Rights to exercise all or a specified number of such Rights and forwarding the aggregate Subscription Price for each Common Share subscribed for in accordance with the terms of the Rights Offering to the Participant which holds the Beneficial Eligible Holder's Rights. Participants may have an earlier deadline for receipt of instructions and payment than the Expiry Time.

The aggregate Subscription Price is payable by direct debit from the Beneficial Eligible Holder's brokerage account or by electronic funds transfer or other payment mechanism satisfactory to the Participant. The entire Subscription Price for Common Shares subscribed for must be paid at the time of subscription and must be received by the Rights Agent prior to the Expiry Time. Accordingly, if a Beneficial Eligible Holder is subscribing through a Participant, such Beneficial Eligible Holder must deliver payment (by method described above) and instructions to the Participant sufficiently in advance of the Expiry Time to allow the Participant to properly exercise the Rights on such Beneficial Eligible Holder's behalf.

Participants that hold Rights for more than one Beneficial Eligible Holder may, upon providing evidence satisfactory to the Company and the Rights Agent, exercise Rights on behalf of its accounts on the same basis as if the Beneficial Eligible Holders were holders of Common Shares.

The Company and the Rights Agent shall have no liability for: (i) the records maintained by CDS or DTC, as the case may be, or Participants relating to the Rights or the book-entry accounts maintained by CDS or DTC, as the case may be; (ii) maintaining, supervising or reviewing any records relating to such Rights; (iii) any advice or representation made or given by CDS, DTC or Participants with respect to the rules and regulations of CDS or DTC, as the case may be; (iv) any action to be taken by CDS, DTC or Participants; or (v) any failure by Participants to take any action or any matter relating to the Rights or the exercise thereof.

The ability of a person having an interest in Rights held through a Participant to pledge such interest or otherwise to take action with respect to such interest (other than through a Participant) may be limited due to the lack of a physical Rights Certificate.

Beneficial Eligible Holders whose Common Shares are held through a Participant must arrange purchases or transfers of Rights and the exercise of Rights to purchase Common Shares through their Participant. The Company anticipates that each such purchaser of a Right or Common Shares will receive a customer confirmation of purchase from the Participant from whom such Right or Common Shares is purchased in accordance with the practices and procedures of such Participant.

## **WHO IS ELIGIBLE TO RECEIVE RIGHTS?**

The Rights are being offered to Shareholders resident in the Eligible Jurisdictions. Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Company. Neither the Notice nor this Circular is to be construed as an offering of the Rights, or the Common Shares issuable upon exercise of the Rights, for sale in any jurisdiction outside of the Eligible Jurisdictions (the "**Non-Participating Jurisdictions**"), or to Shareholders who are residents in any jurisdictions other than the Eligible Jurisdictions (or, in the case of the United States, located or having an address in the United States) ("**Ineligible Shareholders**").

The Company will not accept subscriptions from any Shareholder or from any transferee of Rights who is or appears to be, or who the Company has reason to believe is, resident in a Non-Participating Jurisdiction (or, in the case of the United States, located or having an address in with the United States), except in the circumstances described below. This Circular or Rights Certificates will not be delivered to any Ineligible Shareholders unless such Ineligible Shareholder satisfies the Company that it is an Approved Ineligible Shareholder (as defined below). Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial Shareholders who are resident in Non-Participating Jurisdictions. Ineligible Shareholders will be presumed to be resident in the place of their registered address.

An Ineligible Shareholder that satisfies the Company, in its sole discretion, that such offering to and subscription by such Shareholder or transferee is lawful and in compliance with all applicable securities and other laws where such Shareholder or transferee is resident (such Shareholder is referred to herein as an “**Approved Ineligible Shareholder**”) may have its Rights Certificates issued and forwarded by the Rights Agent upon direction from the Company.

The Rights Agent will hold the Rights of Ineligible Shareholders until 5:00 p.m. (Toronto time) on November 17, 2020. Ineligible Shareholders must satisfy the Company as to their eligibility to participate in the Rights Offering on or before 5:00 p.m. (Toronto time) on November 17, 2020 to claim the Rights Certificate. The Rights Certificate, and any Common Shares that may be issued upon the exercise of the Rights, may be endorsed with restrictive legends according to applicable securities laws.

An Ineligible Shareholder that (i) is a direct or indirect holder with an address of record in the United States (or whom the Company otherwise reasonably believes to be in the United States or a United States resident) and (1) who is an “accredited investor” that satisfies one or more of the criteria set forth in Rule 501(a) of Regulation D promulgated under the U.S. Securities Act (each a “**U.S. Accredited Investor**”), and who provides evidence to such effect, in a form which satisfies, in the sole discretion of the Company, the requirements of Rule 506(c) of Regulation D, which may require the Ineligible Shareholder to provide to us all or any combination of: (a) an Internal Revenue Service Form that reports such Ineligible Shareholder’s income for the most recent two years; (b) bank statements and other statements of securities holdings, certificates of deposit or tax assessments; (c) a consumer report from a United States nationwide consumer reporting agency; (d) written confirmation from a United States registered broker-dealer, an investment adviser registered with the SEC, a licensed United States attorney or an accountant as to whether such Ineligible Shareholder is a U.S. Accredited Investor; (e) any other information we deem necessary to confirm the Ineligible Shareholder’s status as a U.S. Accredited Investor in order to comply with Rule 506(c) of Regulation D; or (ii) is outside the Eligible Jurisdictions and the United States; and (2) satisfies us that such offering to and subscription by such Approved Ineligible Shareholder or transferee is lawful and in compliance with all applicable securities and other laws may have its Rights Certificates issued and forwarded by the Rights Agent upon direction from us.

Ineligible Shareholders will be sent the Notice, for information purposes only, together with a letter advising them that their Rights Certificates will be held by the Rights Agent (except in the case of an Approved Ineligible Shareholder as set out above) and that the Rights Certificates will be issued to and held on their behalf by the Rights Agent until 5:00 p.m. (Toronto Time) on November 17, 2020, after which time and prior to the Expiry Time, the Rights Agent shall attempt to sell the Rights of such Ineligible Shareholders represented by Rights Certificates in the possession of the Rights Agent on such date(s) and at such price(s) as the Rights Agent determines in its sole discretion.

A registered Ineligible Shareholder whose address of record is outside the Eligible Jurisdictions but who holds Common Shares on behalf of a holder who is eligible to participate in the Rights Offering must notify the Company, in writing, on or before the seventh day prior to the Expiry Time if such beneficial holder wishes to participate in the Rights Offering.

No charge will be made for the sale of Rights by the Rights Agent except for a proportionate share of any brokerage commissions incurred by the Rights Agent and costs incurred by the Rights Agent in connection with the sale of the Rights. Ineligible Shareholders will not be entitled to instruct the Rights Agent in respect of the price or the time at which the Rights are to be sold. The Rights Agent will endeavor to effect sales of Rights on the open market and any proceeds received by the Rights Agent with respect to the sale of Rights, net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a pro rata basis among such Ineligible Shareholders and delivered by mailing cheques (in Canadian funds) of the Rights Agent therefor as soon as practicable to such Ineligible Shareholders. Amounts of less than \$10.00 will not be remitted. The Rights Agent will act in its capacity as agent of the Ineligible Shareholder on a best efforts basis only and we and the Rights Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any Ineligible Shareholder. Neither we nor the Rights Agent will be subject to any liability for the failure to sell any Rights of Ineligible Shareholders or as a result of the sale of any Rights at a particular price or on a particular day.

There is a risk that the proceeds received from the sale of Rights will not exceed the costs incurred by the Rights Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.

Holders of Rights who are not resident in Canada should be aware that the purchase and sale of Rights or Common Shares upon exercise of Rights may have tax consequences in the jurisdiction where they reside, which are not described herein. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside or acquiring, holding, and disposing of Rights or Common Shares.

#### **WHAT IS THE ADDITIONAL SUBSCRIPTION PRIVILEGE AND HOW CAN YOU EXERCISE THIS PRIVILEGE?**

A holder of a Rights Certificate who subscribes, pursuant to the Basic Subscription Privilege, for all of the Common Shares to which a Rights Certificate entitles such holder may subscribe for Additional Common Shares at the Subscription Price by completing and executing Form 2 on the front of the Rights Certificate and delivering the Rights Certificate so completed and executed together with the aggregate Subscription Price for such Additional Common Shares to the Rights Agent. If there is an insufficient number of Common Shares available to satisfy the subscriptions for Additional Common Shares, the number of Common Shares, if any, available to a subscriber for Additional Common Shares will be equal to the lesser of: (i) the number of Common Shares for which the subscriber has subscribed under the Additional Subscription Privilege; and (ii) the number (disregarding fractions) obtained by multiplying the aggregate number of Additional Common Shares that may be acquired upon exercise of the Rights issued that were not exercised under the Basic Subscription Privilege by a fraction, the numerator of which is the number of Common Shares subscribed for by such holder under the Basic Subscription Privilege and the denominator of which is the aggregate number of Common Shares acquired under the Basic Subscription Privilege by all participants that have subscribed for Additional Common Shares under the Additional Subscription Privilege.

If any holder of Rights has subscribed for fewer Additional Common Shares than such holder's pro rata allotment of Additional Common Shares, the excess Additional Common Shares will be allocated in the manner set out in (b) above among the holders who were allotted fewer Additional Common Shares than they subscribed for.

To subscribe for Additional Common Shares pursuant to the Additional Subscription Privilege, a holder of Rights must complete and execute Form 2, as well as Form 1, on the front of the Rights Certificate and deliver the Rights Certificate so completed and executed together with the aggregate Subscription Price for such Additional Common Shares to the Rights Agent at the Subscription Office. The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "TSX Trust Company" All payments, together with Form 1 and 2 duly completed on the Rights Certificate, must be received by the Rights Agent at the Subscription Office prior to the Expiry Time. Subscribers for Additional Common Shares will be notified as soon as practicable after the Expiry Time of the number of Additional Common Shares, if any, allotted to them. Any excess subscription monies will be returned by mail without interest or deduction.

#### **HOW DOES A RIGHTS HOLDER SELL OR TRANSFER RIGHTS?**

The Rights will be listed on the TSX under the trading symbol "ASP.RT" until 12:00 p.m. (Toronto time) on November 24, 2020.

Rights Certificates are in registered form. A holder of Rights may, rather than exercising such holder's Rights to subscribe for Common Shares, sell or transfer such Rights into and within Canada to others (except Ineligible Shareholders) personally or through the usual investment channels (such as stock brokers or investment dealers qualified to do business in the holder's jurisdiction) by completing and executing Form 3 on the face of the Rights Certificate and delivering the Rights Certificate so completed and executed to a purchaser (the "Transferee"). The Transferee may exercise all of the Rights of the transferring holder without obtaining a new Rights Certificate. Rights Certificates will not be registered in the name of an Ineligible Shareholder. Payment of any service charge,

commission or other fee payable in connection with the trading of Rights will be the responsibility of the holders of the Rights.

The signature on Form 3 of any transferring Rights holder must be guaranteed by an Eligible Institution or otherwise to the satisfaction of the Rights Agent. An “**Eligible Institution**” means a major Canadian Schedule I chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange, Inc. Medallion Signature Program (MSP). Members of these programs are usually members of recognized stock exchanges in Canada and members of the Investment Dealers Association of Canada. The signature of the Transferee on any one or more of the forms on the Rights Certificate must correspond exactly with the name of the Transferee shown on Form 3. If Form 3 of the Rights Certificate is properly completed, the Company and Rights Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. A Rights Certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the Rights.

If you are a beneficial holder, you must arrange for the transfer of Rights through the CDS, DTC or otherwise.

### **WHEN CAN YOU TRADE SECURITIES ISSUABLE UPON THE EXERCISE OF YOUR RIGHTS?**

The Common Shares are listed on the TSX under the symbol “ASP” and on the OTCQB Venture Market under the symbol “ASPCF”. The TSX has approved the listing of the Common Shares issuable upon the exercise of the Rights. The Common Shares issuable upon the exercise of the Rights will be available for trading as soon as practicable after the closing of the Rights Offering.

### **ARE THERE RESTRICTIONS ON THE RESALE OF SECURITIES?**

The Rights being issued hereunder and the Common Shares issuable upon exercise of the Rights are being distributed by the Company pursuant to exemptions from the registration and prospectus requirements under Canadian securities legislation.

Resale of the Rights and the underlying Common Shares may be subject to restrictions pursuant to applicable securities legislation then in force. Set out below is a general summary of the restrictions governing first trades in the Rights and the underlying Common Shares in Canada. Additional restrictions apply to “insiders” of the Company and holders of Rights and underlying Common Shares who are “control persons” or the equivalent or who are deemed to be part of what is commonly referred to as a “control block” in respect of the Company for purposes of securities legislation. **Each holder is urged to consult his, her or its professional advisors to determine the exact conditions and restrictions applicable to trades of the Rights and the underlying Common Shares.**

Generally, the first trade in Rights and the Common Shares issuable upon exercise of the Rights will be exempt from the prospectus requirements of Canadian securities legislation, if: (i) the Company is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade; (ii) the trade is not a control distribution; (iii) no unusual effort is made to prepare the market or to create a demand for the Rights or the Common Shares; (iv) no extraordinary commission or other consideration is paid in respect of such trade; and (v) if the selling securityholder is an insider or officer of the Company, the selling securityholder has no reasonable grounds to believe that the Company is in default of securities legislation. If such conditions have not been met, then the Rights and the Common Shares may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances. As of the date hereof, the Company has been a reporting issuer for more than four months in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

The Rights may not be transferred to any person within the United States or to a “U.S. person” (as such term is defined in Regulation S under the U.S. Securities Act). Holders of Common Shares in the United States, with U.S. addresses of record or who are U.S. persons who receive Rights may transfer or resell them only in transactions outside of the United States in accordance with Regulation S under the U.S. Securities Act, which generally will

permit the resale of the Rights through the facilities of the TSX provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no “directed selling efforts”, as that term is defined in Regulation S under the U.S. Securities Act, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Company’s “affiliates”, as that term is defined under the U.S. Securities Act. In order to enforce this resale restriction, holders thereof will be required to execute a declaration certifying that such sale is being made through the facilities of the TSX in accordance with Regulation S under the U.S. Securities Act.

Common Shares issued to holders of Rights in the United States, with U.S. addresses or who are U.S. persons will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act and may be offered and sold only in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, and certificates representing such Common Shares will bear a legend to such effect.

**The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights or the underlying Common Shares should consult with their advisors concerning restrictions on resale, and should not resell their Rights or the underlying Common Shares until they have determined that any such resale is in compliance with the requirements of applicable legislation.**

#### **WILL WE ISSUE FRACTIONAL UNDERLYING SECURITIES UPON EXERCISE OF THE RIGHTS?**

No fractional Common Shares will be issued. Where the exercise of Rights would otherwise have entitled a Rights holder to receive fractional Common Shares, the Rights holder’s entitlement will be rounded down to the next lowest whole number of Common Shares, with no additional compensation.

#### **DEPOSITORY**

##### **WHO IS THE DEPOSITORY?**

TSX Trust Company, the Rights Agent, is the depository for the Rights Offering. The Rights Agent has been appointed to: (i) receive subscriptions and payments from holders of Rights; (ii) to perform the services relating to the exercise and transfer of the Rights; and (iii) use its commercially reasonable efforts to sell Rights issued to Ineligible Shareholders and to deliver the proceeds thereof to such Ineligible Shareholders.

The Company will pay for all such services of the Rights Agent. The Rights Agent will accept subscriptions for Common Shares upon the exercise of Rights and payment of the Subscription Price from Rights holders by mail or courier to the office of the Rights Agent:

TSX Trust Company  
301-100 Adelaide Street West  
Toronto, ON M5H 4H1  
Attention: Corporate Actions

Enquiries relating to the Rights Offering should be addressed to the Rights Agent by telephone at (416) 342-1091 or by sending an email to [tmxinvestorservices@tmx.com](mailto:tmxinvestorservices@tmx.com).

The method of delivery of Rights Certificates and subscription funds to the Rights Agent is at the discretion of the Rights holder. Neither the Rights Agent nor the Company will be liable for the failure to deliver or the delivery of Rights Certificates or subscription funds to an address other than the address set out above. Delivery to an address other than the address set out above may result in a subscription for Common Shares or a transfer of Rights not being accepted. If mail is used, registered mail is recommended.

## RISKS AND UNCERTAINTIES

An investment in our Common Shares involves significant risks, which should be carefully considered by prospective investors before purchasing such Common Shares. In addition to the risk factors set out below and elsewhere in this Circular, investors should carefully consider the risk factors set out under the heading "Risk Factors" in the Company's annual information form dated March 3, 2020, available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Any one or more of such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information and forward-looking statements contained herein relating to the Company.

### **RISKS RELATING TO THE OFFERING**

#### *Dilution*

If you do not exercise all of your Rights pursuant to the Basic Subscription Privilege, your current percentage ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other holders of Rights. See "*Dilution*".

#### *Use of Proceeds*

The Company currently intends to allocate the proceeds received from the Rights Offering as described under "*Use of Available Funds – How will we use the available funds?*"; however, management will have discretion in the actual application of the proceeds and may elect to allocate proceeds differently than as described if it believes that it would be in the best interests of the Company to do so as circumstances change. The failure of management to apply these funds effectively could have a material adverse effect on the Company.

#### *Increased Control Block*

If insiders of the Company exercise all of their respective Rights pursuant to Basic Subscription Privilege and Additional Subscription Privilege in full, a significant percentage and controlling interest of the outstanding Common Shares will be held by insiders, which may affect the trading volume and liquidity of the Common Shares.

First Generation, an insider of the Company that controls 85.77% of the Common Shares has entered into the Standby Commitment Agreement with the Company and has agreed to purchase such number of Common Shares that are available to be purchased, but not otherwise subscribed for under the Rights Offering, that will result in 100% of the Common Shares that may be issued pursuant to the Rights Offering being issued. First Generation has and will continue to have significant voting power and influence over the board of directors.

If no Rights are exercised under the Rights Offering other than those exercised by First Generation pursuant to the Standby Commitment Agreement, following the Rights Offering, First Generation would hold over 90.64% of the Common Shares.

#### *Market Price of the Common Shares*

If, for any reason, the Rights Offering is not completed or its completion is materially delayed, the market price of the Common Shares may be materially adversely affected.

#### *Trading Market for Rights*

Although the Rights will be listed on the TSX, there is no assurance that an active or any trading market in the Rights will develop or that rights can be sold on the TSX at any time.



### *Exercises of Rights Irrevocable*

You may not revoke or change the exercise of your Rights after you send in your subscription form and payment to the Rights Agent. The Common Share trading price could decline below the Subscription Price, resulting in a loss of some or all of your subscription payment.

### *Subscription Price Not Necessarily Indication of Value*

You should not consider the Subscription Price to be an indication of the value of the Company, and the Common Shares may trade at prices above or below the Subscription Price.

### *Responsibilities of Holders of Rights*

If you fail to follow the subscription procedures and meet the subscription deadline your subscription may be rejected. Neither the Company nor the Rights Agent undertakes to contact you concerning, or will attempt to correct, an incomplete or incorrect payment or subscription form. Whether a subscription properly follows subscription procedures is solely within the Company's discretion.

## **ADDITIONAL INFORMATION**

### **WHERE CAN YOU FIND MORE INFORMATION ABOUT US?**

For further information regarding the Company, please refer to the continuous disclosure documents filed by the Company with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.aceruspharma.com](http://www.aceruspharma.com).

## **MATERIAL FACTS AND MATERIAL CHANGES**

**There is no material fact or material change about the Company that has not been generally disclosed.**