Acerus Pharmaceuticals Corporation

Unaudited Condensed Interim Consolidated Financial Statements

June 30, 2018

(expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

Acerus Pharmaceuticals Corporation
Condensed Interim Consolidated Statement of Financial Position
As at June 30, 2018, December 31, 2017 and January 1, 2017
Unaudited
(expressed in thousands of U.S. dollars)

	Notes	June 30, 2018	Restated December 31, 2017*	Restated January 1, 2017*
ASSETS				
Current assets				
Cash		$ 6,036	$ 3,156	$ 5,199
Trade and other receivables		1,486	1,542	1,059
Licensing fee receivable		100	300	4,150
Inventory		2,937	2,979	3,770
Prepaid and other assets		125	229	226
Total current assets		10,684	8,206	14,404
Property and equipment, net		1,388	1,487	1,710
Intangible assets, net		11,684	12,561	13,602
Total assets		$ 23,756	$ 22,254	$ 29,716
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	6	$ 7,625	$ 3,134	$ 3,322
Current portion of deferred lease inducement		49	50	47
Current portion of long-term debt	7	2,911	1,026	4,092
Total current liabilities		10,585	4,210	7,461
Accrued liabilities	6	1,984	178	-
Deferred lease inducement		286	327	352
Long-term debt	7	3,185	3,543	2,357
Derivative financial instruments		205	307	141
Total liabilities		16,245	8,565	10,311
Shareholders' equity				
Share capital	8	$ 154,715	$ 151,766	$ 151,766
Warrants	8	1,420	-	37
Contributed surplus		11,292	11,066	10,440
Accumulated other comprehensive loss		(13,961)	(14,052)	(16,370)
Deficit		(145,955)	(135,091)	(126,468)
Total shareholders' equity		7,511	13,689	19,405
Total liabilities & shareholders' equity		$ 23,756	$ 22,254	$ 29,716

**See note 3(c) for details regarding the restatement as a result of change in accounting policy.*

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.
Going concern (note 1)

These consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2018.

Acerus Pharmaceuticals Corporation
Condensed Interim Consolidated Statement of (Loss) and Comprehensive (Loss)
For the three and six months ended June 30, 2018 and 2017
Unaudited
(expressed in thousands of U.S. dollars, except per share and share data)

	Notes	For the three months ended, June 30, 2018	For the three months ended, June 30, 2017 Restated*	For the six months ended, June 30, 2018	For the six months ended, June 30, 2017 Restated*
Revenue					
Product revenue		$ 1,952	$ 1,194	$ 3,576	$ 2,209
Licensing and other revenue		150	584	150	584
		2,102	1,778	3,726	2,793
Cost of goods sold	9	1,029	636	2,056	1,274
Royalty buyout	5(a)	4,266	-	6,680	-
Gross margin		(3,193)	1,142	(5,010)	1,519
Expenses					
Research and development	9	604	402	1,076	1,125
Selling, general and administrative	9	2,231	1,483	4,014	3,104
Total operating expenses		2,835	1,885	5,090	4,229
Other expenses/(income)					
Interest on long-term debt and other financing costs		367	81	558	197
Interest income		(4)	(5)	(9)	(13)
Foreign exchange loss		70	802	305	1,103
Change in fair value of derivative financial instruments		(51)	(15)	(90)	(60)
Total other expenses		382	863	764	1,227
Net loss for the period		(6,410)	(1,606)	$ (10,864)	$ (3,937)
Other comprehensive income, net of income tax					
Foreign currency translation adjustment		1	1,091	91	1,523
Total comprehensive loss for the period		(6,409)	(515)	$ (10,773)	$ (2,414)

**See note 3(c) for details regarding the restatement as a result of change in accounting policy.*

	Notes	Three months 2018	Three months 2017	Six months 2018	Six months 2017
Loss per common share					
Basic and diluted net loss per common share	10	$ (0.03)	$ (0.01)	$ (0.05)	$ (0.02)
Weighted average common shares outstanding					
Basic	10	213,678,075	213,118,645	213,404,959	213,118,645
Diluted	10	213,678,075	213,118,645	213,404,959	213,118,645

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

Acerus Pharmaceuticals Corporation

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
For the six months ended June 30, 2018 and 2017
Unaudited
(expressed in thousands of U.S. dollars)

	Note	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2017		$ 151,766	$ 37	$ 10,440	$ (15,931)	$ (134,111)	$ 12,201
Change in accounting policy	3(c)	-	-	-	(439)	7,643	7,204
Restated total equity at the beginning of the fiscal year		151,766	37	10,440	(16,370)	(126,468)	19,405
Net loss for the period restated		-	-	-	-	(3,937)	(3,937)
Foreign currency translation adjustment restated		-	-	-	1,523	-	1,523
Total comprehensive loss for the period		-	-	-	1,523	(3,937)	(2,414)
Shared based compensation		-	-	144	-	-	144
Balance as at June 30, 2017		$ 151,766	$ 37	$ 10,584	$ (14,847)	$ (130,405)	$ 17,135
Balance at December 31, 2017 as originally presented		$ 151,766	$ -	$ 11,066	$ (14,091)	$ (142,825)	$ 5,916
Change in accounting policy	3(c)	-	-	-	39	7,734	7,773
Restated total equity as at December 31, 2017		151,766	-	11,066	(14,052)	(135,091)	13,689
Net loss for the period		-	-	-	-	(10,864)	(10,864)
Foreign currency translation adjustment		-	-	-	91	-	91
Total comprehensive loss for the period		-	-	-	91	(10,864)	(10,773)
Issuance of common shares, net of costs		2,943	-	-	-	-	2,943
Issuance of warrants, net of costs		-	1,420	-	-	-	1,420
Exercise of stock options	8	6	-	-	-	-	6
Shared based compensation	11	-	-	226	-	-	226
Balance as at June 30, 2018		$ 154,715	$ 1,420	$ 11,292	$ (13,961)	$ (145,955)	$ 7,511

**See note 3(c) for details regarding the restatement as a result of change in accounting policy.*

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

Acerus Pharmaceuticals Corporation
Condensed Interim Consolidated Statement of Cash Flows
For the six months ended June 30, 2018 and 2017
Unaudited
(expressed in thousands of U.S. dollars)

	Note	June 30, 2018	Restated June 30, 2017*
Operating activities:			
Net (loss) for the period		$ (10,864)	$ (3,937)
Items not affecting cash:			
Adjustment for unrealized foreign exchange loss		360	1,154
Amortization of intangible assets	9	853	901
Depreciation of property and equipment	9	129	131
Amortization of deferred leasehold inducement		(25)	(24)
Interest on long-term debt and other financing costs		558	197
Change in fair value of derivative financial instruments		(90)	(60)
Share based compensation	9	226	144
(Gain) on disposal of property and equipment		-	(4)
Net changes in non-cash working capital items related to operating activities:			
Trade and other receivables		(117)	(265)
Inventory		73	475
Prepaids and other assets		96	74
Accounts payable and accrued liabilities		6,277	(1,290)
Licensing fee receivable		300	4,150
Net cash (used in)/from operating activities		(2,224)	1,646
Financing activities			
Interest and financing fees paid		(390)	(422)
Proceeds from issuance of common shares and warrants, net of financing costs	8	4,369	-
Proceeds from debt issuance		1,571	-
Payment of long-term debt obligations		-	(3,626)
Net cash from/(used in) operating activities		5,550	(4,048)
Investing activities			
Proceeds from disposition of property and equipment		-	5
Acquisition of property and equipment, net of deposits		(60)	-
Acquisition of product rights		(156)	-
Net cash (used in)/from investing activities		(216)	5
Net increase/(decrease) in cash for the period		3,110	(2,397)
Exchange gain/(loss) on cash		(230)	107
Cash, beginning of year		3,156	5,199
Cash, end of period		$ 6,036	$ 2,909

**See note 3(c) for details regarding the restatement as a result of change in accounting policy.*

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

1. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due for the foreseeable future.

The ability of Acerus Pharmaceuticals Corporation ("Acerus") and its subsidiaries (together, the "Company") to realize its assets and meet its obligations as they come due is dependent on successfully commercializing its existing products, bringing new products and technologies to market and achieving future profitable operations, the outcome of which cannot be predicted at this time. Furthermore, the Company will require additional funding, either from commercial sales of its existing products, commercial transactions or investors, to continue the development and commercialization of additional products. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

Management has assessed the Company's ability to continue as a going concern and concluded that in order to complete its planned product development and commercialization programs, capital will be required. The Company's ability to accomplish its strategic plans is dependent upon earning sufficient revenues from existing products, bringing new products and technologies to market, achieving future profitable operations, possibly obtaining additional financing, executing other strategic initiatives that could provide cash flows, or alternatively curtailing expenditures. There are no assurances that any of these initiatives will be successful. Factors within and outside the Company's control could have a significant bearing on its ability to obtain additional financing.

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

2. DESCRIPTION OF BUSINESS

These unaudited condensed interim consolidated financial statements represent the consolidated accounts of Acerus (incorporated in Ontario, Canada) and its wholly-owned subsidiaries, Acerus Labs Inc. ("ALI") (incorporated in Ontario), Acerus Biopharma Inc. ("ABI") (formerly named Acerus Pharmaceuticals SRL ("SRL")) (incorporated in Ontario), and Acerus Pharmaceuticals (Barbados) Inc. ("APBI") (incorporated in Barbados). On November 6, 2017, ABI migrated jurisdiction of incorporation, corporate law residence, and tax residence from Barbados to Canada. APBI was dissolved on February 26, 2018. The head office, principal address and records office of the Company are located in Mississauga, Ontario, Canada. The Company's registered address is 2486 Dunwin Drive, Mississauga, Ontario, L5L 1J9.

Acerus is a Canadian-based specialty pharmaceutical company focused on the development, manufacture, marketing and distribution of branded products with a primary focus in the field of men's and women's health. The Company commercializes its products via its own salesforce in Canada, and through a global network of licensed distributors in the U.S. and other territories.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2017. These policies have been consistently applied to all periods presented, except for the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* starting January 1, 2018.

(a) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

(b) New and amended standards

A number of new or amended standards became applicable for the 2018 reporting period and the Company had to change its accounting policies. For IFRS 15 Revenue from Contracts with Customers, the Company has made retrospective adjustments. IFRS 9 Financial Instruments did not have a material impact on the Company's accounting policies and did not require retrospective adjustments. The details of the impact from the adoption of these standards and the new accounting policies are disclosed in note 3(c) below.

Other new standards and amendments to standards and interpretations have not been applied in preparing these consolidated financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 16 *Leases*

The new standard brings most leases on-balance sheet, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual reporting periods beginning on or after January 1, 2019, with early application permitted but only if the entity also applies *IFRS 15, Revenue from Contracts with Customers*. The Company has yet to assess IFRS 16's full impact.

c) Impact of changes and updates to accounting policies

IFRS 9 *Financial Instruments* was adopted without restating comparative information. The Company's financial assets primarily consist of trade receivables. The adoption of IFRS 9 was applied on a retrospective basis on January 1, 2018 without restatement of comparatives and did not have a material effect on the valuation of the Company's financial assets, as such there are no changes to the opening statement of financial position on January 1, 2018.

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

The impacts of adoption of the new standard are summarized below:

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

(All amounts expressed in thousands of U.S. dollars except per share amounts
and unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Impact of changes and updates to accounting policies (continued)

- License and other revenue mainly consist of upfront and milestone payments received from license and supply agreements. In its review of out-licensing agreements, the Company concluded that the license is distinct from other goods and services in the contracts. The license provides the partner with the right to use the Company's intellectual property. Previously, the upfront payments were recorded as deferred revenue and amortized as income over the life of the contracts. Under IFRS 15, the upfront revenue is recognized when control transfers to the licensee and the license period begins. For milestone payments, there has been no change in the recognition criteria, income is recognized at the point in time when it is highly probable that the milestone event criteria are met, and the risk of reversal of revenue recognition is remote.

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

	January 1, 2017 As originally presented	IFRS 15	January 1, 2017 Restated
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of deferred revenue	1,006	(1,006)	-
Total current liabilities	8,467	(1,006)	7,461
Deferred revenue	6,198	(6,198)	-
Total liabilities	17,515	(7,204)	10,311
Shareholders' equity			
Accumulated other comprehensive loss	(15,931)	(439)	(16,370)
Deficit	(134,111)	7,643	(126,468)
Total shareholders' equity	12,201	7,204	19,405
Total liabilities & shareholders' equity	$ 29,716	$ -	$ 29,716

Balance sheet (extract)	December 31, 2017 As originally presented	IFRS 15	January 1, 2018 Restated
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of deferred revenue	1,206	(1,206)	-
Total current liabilities	5,416	(1,206)	4,210
Deferred revenue	6,567	(6,567)	-
Total liabilities	16,338	(7,773)	8,565
Shareholders' equity			
Accumulated other comprehensive loss	(14,091)	39	(14,052)
Deficit	(142,825)	7,734	(135,091)
Total shareholders' equity	5,916	7,773	13,689
Total liabilities & shareholders' equity	$ 22,254	$ -	$ 22,254

(All amounts expressed in thousands of U.S. dollars except per share amounts
and unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Impact of changes and updates to accounting policies (continued)

	For the three months ended,		
	June 30, 2017 As originally presented	IFRS 15	June 30, 2017 Restated
REVENUE			
Licensing and other fees	252	332	584
Total revenue	1,446	332	1,778
Gross profit	810	332	1,142
LOSS BEFORE INCOME TAXES	(1,938)	332	(1,606)
NET LOSS	$ (1,938)	$ 332	$ (1,606)
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment	934	157	1,091
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$ (1,004)	$ 489	$ (515)

	For the six months ended,		
	June 30, 2017 As originally presented	IFRS 15	June 30, 2017 Restated
REVENUE			
Licensing and other fees	507	77	584
Total revenue	2,716	77	2,793
Gross profit	1,442	77	1,519
LOSS BEFORE INCOME TAXES	(4,014)	77	(3,937)
NET LOSS	$ (4,014)	$ 77	$ (3,937)
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment	1,303	220	1,523
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$ (2,711)	$ 297	$ (2,414)

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

Trade receivables

Trade receivables are amounts due from customers for inventory sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Provisions for doubtful trade receivables are established using an expected credit loss model (ECL). The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivable, considering the occurrence of a significant increase in credit risk. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the trade receivable is doubtful. These provisions represent the difference between the trade receivable's carrying amount in the consolidated statement of financial position and the estimated net collectible amount. Charges for doubtful trade receivables are recorded as marketing and selling costs recognized in the consolidated statement of income/(loss) within "Selling, General & Administration" expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Impact of changes and updates to accounting policies (continued)

Revenue

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

Consideration the Company receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. The most common elements of variable considerations are listed below:

- Discounts granted to customers are provisioned and recorded as a deduction from revenue at the time the related revenue are recorded or when the incentives are offered. They are calculated on the basis of historical experience and the specific terms in the individual agreements.
- Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of the Company agreeing to customer returns and the Company can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. The provisions are applied to the amounts invoiced, taking into consideration the number of returned products to be destroyed versus products that can be placed back in inventory for resale.
- Revenues for certain of our partners are earned in two steps: 1) at a contractual supply price when the product is delivered to the marketing partner; and 2) an additional top-up amount is earned based on a pricing schedule when the marketing partner recognizes sales of the product. The additional top-up amounts are estimated based on our partners' reported net sales for the period.

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Company's unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results may differ from these estimates. In preparing the unaudited condensed interim consolidated financial statements, the significant estimates made by management include those that applied to and are disclosed in the Company's annual audited consolidated financial statements for the year ended

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

December 31, 2017. The Company did not have any significant changes in estimates and judgments from those that applied at year end aside from those detailed below:

Revenue recognition

License and other revenue mainly consists of upfront payments and milestone payments received in license and supply agreements. Management, in its review of out-licensing agreements, uses significant judgement to determine if the license is distinct from other goods and services in the contract and if the license provides the partner with the right to use or the right to access the Company's intellectual property. Management makes their decision by reviewing contracts and through discussions with internal and external personnel to determine the substance of the agreements.

5. PRODUCT RIGHTS

(a) Bio-adhesive gel technology

In May 2009 (and in accordance with certain subsequent contractual amendments), ABI acquired certain rights from M&P Patent AG (since renamed Mattern Pharma) to use certain technology to develop, apply for and obtain regulatory approval, and to manufacture and sell four product candidates pursuant to an Intellectual Property Rights and Product Development Agreement ("IP Agreement") in exchange for milestones, royalties based on the Company's gross margin, and other payments depending on the achievement of specified goals for Natesto® and Tefina™.

On May 17, 2018, the Company entered into an agreement with Mattern Pharma AG (Mattern) to buy out all of its obligations (the "Buyout") under the Amended and Restated Intellectual Property Rights and Product Development Agreement, dated December 21, 2013 (as amended) ("License Agreement"), including all of its future royalty payment obligations.

Under the License Agreement, Acerus owed royalties on upfronts, milestones and revenues from products, including Natesto®, covered by the License Agreement, including minimum annual royalties of $5,000 if gross product sales are $75,000 or greater or $2,500 if gross product sales are below $75,000 starting in fiscal 2018 and ending in 2024. Pursuant to the Buyout, with the payment of $7,500, all of Acerus' material obligations owed to Mattern are suspended, but Mattern's obligations to Acerus remain in force. Under the Buyout, among other rights, Acerus receives a perpetual, fully-paid, irrevocable license to all of Mattern's patents and know-how for the products covered by the License Agreement. Acerus will pay the $7,500 in the following instalments: $750 was paid in July 2018, $1,750 by September 20, 2018, $2,500 by January 20, 2019, and $2,500 by January 20, 2020. The Company recorded an expense of $6,680 in the six months ended June 30, 2018, representing the fair value of the $7,500 obligation under the Buyout. The fair value was estimated by discounting the payments using a rate of 14.75%.

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

(b) Pulmonary and nasal dry powder delivery technology

On November 30, 2009, ABI entered into an asset purchase agreement with Keldmann Healthcare A/S ("Keldmann"), a privately-held Denmark-based technology company.

Pursuant to the terms of the asset purchase agreement, ABI paid $4,500 to Keldmann to acquire the Direct Haler technology platform (TriVair) for pulmonary and nasal delivery of pharmaceutical medications. This acquisition was accounted for as a purchase of identifiable intangible and tangible assets.

As part of this transaction with Keldmann, and pursuant to an Amended Product Development Agreement dated December 30, 2009, ABI may collaborate with Keldmann on the development of certain product candidates in exchange for consulting fees and will make milestone, royalty and other payments depending on achievement of specified development and other goals.

5. PRODUCT RIGHTS (continued)

(b) Pulmonary and nasal dry powder delivery technology (continued)

There is a milestone payment of $2,000 due upon Food and Drug Administration ("FDA") approval for each product to a maximum of $8,000 for products submitted for approval by ABI. As well, there is a cap on royalty payments of $25,000 per product.

(c) Gynoflor™

The Company entered into a license and supply agreement with Medinova AG, a Swiss pharmaceutical company, granting the Company the exclusive rights to commercialize Gynoflor™ in Canada. On December 24, 2017 the Company received a Notice of Deficiency ("NOD"). In its notice, Health Canada requested additional technical information on Gynoflor™ in order to complete its assessment of the product, which the Company believes will cause a delay in the review process. Acerus officially responded to the NOD on April 11, 2018, focusing only the vaginal atrophy indication and expects to receive a decision from Health Canada in the first half of 2019.

(d) Elegant™ franchise

On December 20, 2017, the Company entered into a license, development and supply agreement with Viramal Limited ("Viramal"), a London-based specialty pharmaceutical company, granting the Company exclusive rights to commercialize the Elegant™ franchise in Canada. Under the terms of the license, development and supply agreement, the Company will pay Viramal a regulatory milestone payment upon the Company receiving marketing approval in Canada, as well as milestone payments based on achieving sales targets. Viramal will oversee the manufacturing of Elegant™ and will receive a supply price for the products.

(e) *UriVarx®*

On January 8, 2018 the Company entered into an exclusive distributor and license agreement with Innovus Pharmaceuticals, Inc. ("Innovus"), granting Acerus the exclusive rights to commercialize UriVarx® in Canada. Under the terms of the exclusive distributor and license agreement, the Company paid an upfront payment at signing and will pay milestone payments based on the Company achieving certain sales targets. Innovus will oversee the manufacturing of UriVarx® and will receive a supply price for the product.

(f) Stendra®

On March 27, 2018 the Company entered into an exclusive distributor and license agreement with Metuchen Pharmaceuticals LLC ("Metuchen"), a privately-held specialty pharmaceutical company, granting Acerus the exclusive rights to commercialize Stendra® in Canada. Stendra® is a new chemical entity targeting the large and growing Erectile Dysfunction ("ED") market. Under the terms of the sublicense agreement, Metuchen will receive regulatory milestone payments upon Acerus filing a New Drug Submission ("NDS") with Health Canada and upon Acerus receiving marketing approval in Canada. Metuchen will also receive milestone payments based on Acerus achieving sales targets. Metuchen will oversee the manufacturing of Stendra® and will receive a supply price for the product comprised of a transfer price and royalties on net sales of the product.

(g) Shact™

On May 29, 2018 the Company entered into an exclusive agreement to commercialize Pharmanest AB ("Pharmanest") Short Acting Lidocaine Product ("Shact™"), a pain relief drug device combination in Canada. Under the terms of the license agreement, Pharmanest will receive an upfront and regulatory milestone payments upon the Company receiving marketing approval in Canada. Pharmanest will also receive milestone payments based on the Company achieving sales targets. Pharmanest will oversee the manufacturing of Shact™ and will receive a tiered supply price for the product comprised of a percentage on net sales of the product.

(All amounts expressed in thousands of U.S. dollars except per share amounts
and unless otherwise stated)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2018		December 31, 2017
Accounts payable	$	1,728	$	1,213
Employee salaries and benefits payable		759		1,104
Buyout payable (note 5a)		4,047		54
Interest payable		45		99
Accrued liabilities		918		550
Provision for returns and discounts		128		114
Total current accounts payable and accrued liabilities	$	7,625	$	3,134
Employee severance, long-term liability		-		178
Buyout payable (note 5a)		1,984		-
Total accounts payable and accrued liabilities	$	9,609	$	3,312

7. LONG-TERM DEBT

		Senior Financing		Promissory Note		Quantius Debt		Total
Balance, January 1, 2017	$	3,149	$	3,300	$	-	$	6,449
Additional debt acquired		-		-		2,352		2,352
Transaction costs		-		-		(191)		(191)
Accrued royalty payable		-		-		6		6
Amortization of deferred financing costs		5		-		5		10
Repayment of principal		(3,155)		(943)		-		(4,098)
Effect of foreign currency exchange difference		1		-		40		41
Balance, December 31, 2017	$	-	$	2,357	$	2,212	$	4,569
Current portion at December 31, 2017		-		943		83		1,026
Long-term portion at December 31, 2017	$	-	$	1,414	$	2,129	$	3,543
Balance, January 1, 2018	$	-	$	2,357	$	2,212	$	4,569
Accrued royalty payable		-		-		78		78
Amortization of deferred financing costs		-		-		43		43
Debt issuance		-		-		1,571		1,571
Effect of foreign currency exchange difference		-		-		(165)		(165)
Balance, June 30, 2018	$	-	$	2,357	$	3,739	$	6,096
Current portion at June 30, 2018		-		2,357		554		2,911
Long-term portion at June 30, 2018	$	-	$	-	$	3,185	$	3,185

Endo – Promissory note
Pursuant to the transition agreement between Acerus and an affiliate of Endo International plc (“Endo”), parties entered into an agreement related to the unused customer deposit (pre-paid inventory) owed to Endo following the termination of the Natesto® license agreement in 2016. A $500 cash payment was paid to Endo in July 2016 and $3,800 of the remaining principal amount is subject to a promissory note, of which $500 was paid in December 2016 and the remaining amounts being payable in equal quarterly installments of $236 with the final payment and maturity date of June 30, 2020. The promissory note is unsecured and bears interest at a rate of LIBOR + 9.5% per annum with a LIBOR floor rate of 1%.

On March 15, 2018, the promissory note was amended such that principal repayments under the promissory note would now be made annually on the last business day of December of each year instead of quarterly. Payments of interest were to continue to be made quarterly.

At June 30, 2018 the Company had $2,357 outstanding on the promissory note.

On July 5, 2018, the promissory note was amended such that Endo accepted a prepayment of $1,500 in full satisfaction of the Company’s obligation to prepay a portion of the promissory note from 50% of the net proceeds of the equity financing closed on June 28, 2018. Under the amended promissory note, the remaining balance and all interest accrued and unpaid would be paid the earlier of (i) the next equity financing completed by the Company; and (ii) June 30, 2019 unless another pre-payment obligation under the promissory note is triggered.

(All amounts expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

7. LONG-TERM DEBT (continued)

Quantius Inc. credit facility

On December 6, 2017, Acerus entered into a senior secured term credit facility with Quantius Inc. ("Quantius") for up to CDN$5,000 of which CDN$3,000 was available at closing, with the remaining CDN$2,000 received on April 20, 2018 following the satisfaction of certain conditions, including 1) Aytu achieving a pre-determined number of prescriptions per month for Natesto® in the U.S., and 2) maintaining Estrace® sales at a pre-determined minimum level.

The credit facility bears interest at a rate equivalent to the Bank of Canada prime plus 11.05% and matures on December 1, 2019. The credit facility is repayable in monthly instalments of 1/48 of the balance owing commencing December 1, 2018 with the remaining balance due at maturity. As part of the transaction, Quantius received an underwriting fee representing low single digit percentage of the maximum facility amount and will receive a royalty fee representing low single digit percentage of revenues over the term of the facility, capped at a high single digit percentage of the borrowed amount. Under terms of the agreement, the Company will have the option to prepay the credit facility with the payment of low single digit prepayment penalties depending on the timing of pre-payment. The prepayment penalties will be fully offset against the royalty fee payable at maturity. The terms of the agreement also contain customary financial covenants. The Company was in compliance with the covenants as of June 30, 2018.

Interest and financing costs

Interest expense on long-term debt was $238 and $413 for the three and six months ended June 30, 2018, respectively ($81 and $168 for the three and six months ended June 30, 2017).

Accrued interest & financing costs		
Balance, January 1, 2017	$	256
Interest expense		380
Transaction costs		191
Amortization of deferred financing costs		(10)
Interest paid		(687)
Effect of foreign currency exchange difference		(31)
Balance, December 31, 2017	$	99
Balance, January 1, 2018	$	99
Interest and financing fees		558
Amortization of deferred financing costs		(43)
Accrued royalty payable		(78)
Accretion of long-term payable		(102)
Interest and financing fees paid		(390)
Effect of foreign currency exchange difference		1
Balance, June 30, 2018	$	45

(All amounts expressed in thousands of U.S. dollars except per share amounts
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8. SHARE CAPITAL AND WARRANTS

Shares Issued and Outstanding

	Number of Common shares	Number of Warrants	Common shares	Warrants	Total
Balance as at January 1, 2017	213,118,645	51,639	$ 151,766	$ 37	$ 151,803
Expiry of warrants, July 18, 2017	-	(51,639)	-	(37)	(37)
Balance as at December 31, 2017	213,118,645	-	$ 151,766	$ -	$ 151,766
Balance as at January 1, 2018	213,118,645	-	$ 151,766	$ -	$ 151,766
Exercise of options, March 2018	74,997	-	6	-	6
Issuance of units, June 2018	22,041,705	23,584,624	2,943	1,420	4,363
Balance as at June 30, 2018	235,235,347	23,584,624	$ 154,715	$ 1,420	$ 156,135

The Company is authorized to issue an unlimited number of common shares.

On June 28, 2018, the Company closed an offering, under which 22,041,705 units were issued at a price of $0.30 per unit which includes 2,875,005 units in connection with the exercise in full of the over-allotment option granted to the Underwriter of the offering. Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant shall entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.40 at any time up to 24 months following closing of the offering. On closing, the Underwriter received cash commission equal to 7% of the gross proceeds from the sale of Units and compensation options entitling it to purchase 1,542,919 Common Shares at a price of $0.30 within 24 months of closing.

The gross proceeds have been segregated into their common share and warrant components based on their relative fair values of CDN$4,597 and CDN$2,016 respectively. The common share and warrant components are shown net of transaction costs of CDN$693 and CDN$304 respectively. The fair value of the warrants was based on a Black-Scholes model, with the residual amounts of the net proceeds being allocated to the value of the common shares. The fair value of the warrants, CDN$0.09 per warrant, was based on a Black-Scholes model using the following variables: an expected life of 2 years; a risk-free rate of 1.95%; a volatility rate of 86%; and an exercise price of CDN$0.40. The fair value of the broker warrants, CDN$0.11 per warrant, was based on a Black-Scholes model using the following variables: an expected life of 2 years; a risk-free rate of 1.95%; a volatility rate of 86%; and an exercise price of CDN$0.30.

In addition to the warrants in the table above, there are 3,034,814 (December 31, 2017 – 3,034,814) warrants issued that have been classified as a derivative financial instrument and classified under long-term liabilities.

9. NATURE OF EXPENSES

	For the three months ended June 30, 2018			
	Cost of sales & Royalty Buyout	R&D	SG&A	Total
Cost of finished goods	$ 465	$ -	$ -	$ 465
Royalty buyout	4,266	-	-	4,266
Salaries and benefits	-	261	639	900
Amortization of intangible assets	402	26	-	428
Depreciation of property and equipment	33	6	25	64
Share-based compensation	-	16	69	85
Research & development	-	295	-	295
Selling and marketing	-	-	707	707
General and administrative	-	-	791	791
Other	129	-	-	129
	$ 5,295	$ 604	$ 2,231	$ 8,130

(All amounts expressed in thousands of U.S. dollars except per share amounts
and unless otherwise stated)

9. NATURE OF EXPENSES

	For the three months ended June 30, 2017			
	Cost of sales	R&D	SG&A	Total
Cost of finished goods	$ 175	$ -	$ -	$ 175
Salaries and benefits	-	167	578	745
Amortization of intangible assets	374	74	-	448
Depreciation of property and equipment	33	24	8	65
Share-based compensation	-	-	66	66
Research & development	-	137	-	137
Selling and marketing	-	-	393	393
General and administrative	-	-	438	438
Other	54	-	-	54
	$ 636	$ 402	$ 1,483	$ 2,521

	For the six months ended June 30, 2018			
	Cost of sales & Royalty Buyout	R&D	SG&A	Total
Cost of finished goods	$ 962	$ -	$ -	$ 962
Royalty buyout	6,680	-	-	6,680
Salaries and benefits	-	519	1,200	1,719
Amortization of intangible assets	798	55	-	853
Depreciation of property and equipment	67	12	50	129
Share-based compensation	-	45	181	226
Research & development	-	445	-	445
Selling and marketing	-	-	1,107	1,107
General and administrative	-	-	1,476	1,476
Other	229	-	-	229
	$ 8,736	$ 1,076	$ 4,014	$ 13,826

	For the six months ended June 30, 2017			
	Cost of sales	R&D	SG&A	Total
Cost of finished goods	$ 358	$ -	$ -	$ 358
Salaries and benefits	-	388	1,022	1,410
Amortization of intangible assets	753	148	-	901
Depreciation of property and equipment	67	32	32	131
Share-based compensation	-	13	131	144
Research & development	-	544	-	544
Selling and marketing	-	-	976	976
General and administrative	-	-	943	943
Other	96	-	-	96
	$ 1,274	$ 1,125	$ 3,104	$ 5,503

10. (LOSS) PER SHARE

The following table sets forth the computing of basic and diluted (loss) per share (share and per share amounts below are not in thousands):

	For the three months ended June 30, 2018	2017
Numerator for basic and diluted (loss) per share available to common shareholders	$ (6,410)	$ (1,606)
Denominator for basic (loss)/earnings per share	213,678,075	213,118,645
Denominator for diluted (loss)/earnings per share	213,678,075	213,118,645
Basic and diluted (loss)/earnings per share	$ (0.03)	$ (0.01)

	For the six months ended June 30, 2018	2017
Numerator for basic and diluted (loss) per share available to common shareholders	$ (10,864)	$ (3,937)
Denominator for basic (loss)/earnings per share	213,404,959	213,118,645
Denominator for diluted (loss)/earnings per share	213,404,959	213,118,645
Basic and diluted (loss)/earnings per share	$ (0.05)	$ (0.02)

For the three and six months ended June 30, 2018, the computation of diluted (loss) per share is equal to the basic (loss per share due to the anti-dilutive effect on the stock options and warrants.

For the three months ended June 30, 2018:

		Weighted Average Shares	
	Total issued	Basic	Diluted
Balance, December 31, 2017	213,118,645	213,118,645	213,118,645
Balance, January 1, 2018	213,118,645	213,118,645	213,118,645
Exercise of options, March 2018	74,997	74,997	74,997
Issuance of common shares, June 2018	22,041,705	484,433	484,433
Balance, June 30, 2018	235,235,347	213,678,075	213,678,075

For the six months ended June 30, 2018:

		Weighted Average Shares	
	Total issued	Basic	Diluted
Balance, December 31, 2017	213,118,645	213,118,645	213,118,645
Balance, January 1, 2018	213,118,645	213,118,645	213,118,645
Exercise of options, March 2018	74,997	41,406	41,406
Issuance of common shares, June 2018	22,041,705	244,908	244,908
Balance, June 30, 2018	235,235,347	213,404,959	213,404,959

(All amounts expressed in thousands of U.S. dollars except per share amounts
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11. SHARE BASED COMPENSATION

The Company has an incentive stock option plan that permits it to, from time to time, grant options to acquire common shares to its directors, officers, employees, consultants, and others, up to the maximum number of a "rolling" amount equal to 10% of the total shares issued and outstanding (23,523,535 options available as at June 30, 2018). The option exercise price must be equal to or greater than the market price of the Company's common shares at the date of grant.

The stock option plan also provides that:

- upon the surrender, termination, expiry or exercise of any options granted under the stock option plan, common shares subject to such options shall become available to satisfy future grants of options under the stock option plan; and

- a holder of an option may, rather than exercise such option, elect a cashless exercise of such option payable in common shares equaling the amount by which the value of an underlying share at that time exceeds the exercise price of such option or warrant to acquire such share.

The Company uses the Black-Scholes option pricing model to value its options, which requires certain assumptions including the stock price volatility for a publicly held corporation.

The following table presents the Black-Scholes variables used to calculate the fair value of the options granted in fiscal 2018 and 2017:

						Black-scholes model variables			
Grant date	Number granted	Granted to	Exercise price (CDN$)	Life (Years)	Vesting periods (Years)	Risk free rate	Expected volatility	Expected dividend rate	Fair value per options (CDN$)
Mar 10, 2017	4,810,000	Employees & directors	$0.12	5	1-3	1.1%	98.2%	nil	$0.08
May 18, 2017	900,000	Employee	$0.13	5	3	1.8%	103.3%	nil	$0.09
Jun 01, 2017	500,000	Employee	$0.11	5	3	1.8%	95.7%	nil	$0.08
Jun 12, 2017	50,000	Employee	$0.11	5	1-3	1.8%	97.6%	nil	$0.08
Sep 18, 2017	425,000	Employees & directors	$0.11	5	1-3	1.8%	96.2%	nil	$0.08
Nov 09, 2017	3,235,000	Employees & directors	$0.12	3-5	0-3	1.6% 1.8%	93.4% 94.1%	nil	$0.08 $0.10
Nov 22, 2017	20,000	Employees	$0.17	5	3	1.8%	98.8%	nil	$0.15
Dec 06, 2017	200,000	Director	$0.36	5	1	1.8%	104.4%	nil	$0.28
Dec 11, 2017	35,000	Employee	$0.35	5	3	1.8%	107.8%	nil	$0.26
Mar 23, 2018	1,948,331	Employees & directors	$0.27	5	1-3	2.1%	90.0%	nil	$0.20
Mar 23, 2018	100,000	Director	$0.27	3	0	2.0%	95.6%	nil	$0.17

In March 2018, 74,997 options were exercised for 74,997 common shares for a purchase price of $6.

A forfeiture rate of 3% was used to estimate option expenses during the period. The Company recognized total share-based compensation expense of $85 and $226 for the three and six months ended June 30, 2018 ($66 and $144 for the three and six months ended June 30, 2017).

11. SHARE BASED COMPENSATION (continued)

The following table summarizes the activity under the Company's stock option plan (amounts in chart below are not in thousands):

	2018						
	Canadian Dollar Options			US Dollar Options			
	Number		Weighted average exercise price (CDN)		Number		Weighted average exercise price (USD)
Balance at January 1,	17,316,200	$	0.23		-	$	-
Granted	2,048,331		0.27		-		-
Exercised	(74,997)		0.11		-		-
Expired	(256,000)		0.87		-		-
Cancelled	(861,875)		0.12		-		-
Forfeited	(1,792,700)		0.73		-		-
Balance at June 30, 2018	16,378,959	$	0.18		-		-
Options exercisable at June 30, 2018	8,936,620	$	0.18	$	-	$	-

	2017					
	Canadian Dollar Options			US Dollar Options		
	Number		Weighted average exercise price (CDN)	Number		Weighted average exercise price (USD)
Balance at January 1,	9,743,240	$	0.71	1,717,500	$	6.25
Granted	6,260,000		0.12	-		-
Expired	(825,040)		2.60	-		-
Forfeited	(717,034)		0.15	-		-
Balance at June 30, 2017	14,461,166	$	0.38	1,717,500	$	6.25

	Canadian Dollar Options outstanding as at June 30, 2018		
Exercise prices	Number outstanding	Weighted average remaining life in years	Number excercisable
$0.09 to $0.11	4,926,668	2.8	3,046,664
$0.12 to $0.18	8,298,960	3.3	4,919,956
$0.27 to $0.41	2,333,331	4.5	150,000
$0.75 to $0.91	820,000	1.2	820,000
	16,378,959	3.2	8,936,620

(All amounts expressed in thousands of U.S. dollars except per share amounts
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12. RELATED PARTY TRANSACTIONS

Details of the transactions between the Company, key management and other related parties are disclosed below:

Key management includes the Company's directors and executive officers. The remuneration of directors and key members of management and professional fees paid or payable to firms affiliated with the current directors for the three and six months ended June 30, 2018 and 2017 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Short-term compensation of key management and directors	$ 390	$ 406	$ 612	$ 822
Share-based compensation	72	67	170	140
Professional fees paid or payable to firms affiliated with directors & officers	36	-	189	1
	$ 498	$ 473	$ 971	$ 963

These transactions are in the normal course of operations.

Executive employment agreements allow for total additional payments of approximately $1,573 if a change in control occurs, $1,526 if all are terminated without cause, and $nil if all are terminated with cause.

As at June 30, 2018, Acerus has a $6,752 payable ($7,188 receivable as at December 31, 2017) to its wholly owned subsidiary ABI. The payable is non-interest bearing, due on demand and eliminates upon consolidation except for the foreign exchange loss of $140 and $319 for the three and six months ended June 30, 2018 (loss of $939 and $1,250 for the three and six months ended June 30, 2017) that has been recorded in the consolidated statement of loss.

13. LITIGATION

Shenk Litigation

Valeant Pharmaceuticals International, Inc. and Valeant International Bermuda ("Valeant") are defendants in Ontario Superior Court of Justice Action No. CV-11-438382, which claims a declaration that Valeant is contractually obligated to compensate the Plaintiff, Reiner Schenk ("Schenk") pursuant to the terms of a contract between Schenk and Biovail Corporation. The main action was commenced by Notice of Action issued on October 31, 2011 and a Statement of Claim was issued on December 14, 2011. Acerus Pharmaceuticals Corporation was named as one of the defendants in the main action, but the action was discontinued as against Acerus on December 14, 2011. On October 29, 2013, Valeant commenced a third-party claim against Acerus (among others) claiming contribution, indemnity and other relief over to the full extent that Valeant may be held liable to Schenk, and damages for breach of fiduciary duty, breach of contract and intentional interference with economic relations in any amount for which Valeant is found liable to Schenk. Acerus has defended the third-party claim, denying any liability to Valeant. It is expected that a date for trial will be set in the near future, although there is currently no fixed date by which a trial date must be set.

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defending itself against such litigation.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is quoted bid or ask prices in an active market. Quoted prices are not always available for over-the-counter transactions, as well as transactions in inactive or illiquid markets. In these instances, pricing models, normally with observable market based inputs, are used to estimate fair value. Financial instruments traded in a less active market have been valued using indicative market prices, present value or other valuation techniques. Where financial instruments trade in inactive markets or when using models where observable parameters do not exist, greater management judgement is required for valuation purposes. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and therefore may not be reflective of future fair values.

At June 30, 2018 and December 31, 2017, the Company's financial instruments consisted of cash, trade and other receivables, licensing fee receivable, accounts payable and accrued liabilities, long-term debt, and derivative financial instruments. Cash, trade and other receivables, licensing fee receivable and accounts payable and accrued liabilities are measured at amortized cost and their fair values approximate carrying values due to their short-term nature except for the Buyout payable. The Buyout payable has been discounted using a current interest rate and accordingly its carrying value approximates fair value. The derivative financial instruments are measured at fair value with any changes recognized through the consolidated statement of loss and comprehensive loss and are classified as Level 2. The fair value of the derivative financial instrument is estimated using a Black-Scholes pricing model.

The long-term debt is measured at amortized cost. At June 30, 2018, the fair value of the long-term debt approximates its face value of $6,154. The fair values are based on cash flows discounted using a rate based on the borrowing rate and are within Level 3 of the fair value hierarchy.

15. SEGMENT REPORTING

The President and Chief Executive Officer is the Company's chief operating decision-maker (CODM). Management has determined that there is one operating segment based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

At June 30, 2018, the Company has total long-term assets in Canada and Germany in the amounts of $12,295 and $777 respectively ($13,202 and $846 for Canada and Germany respectively at December 31, 2017).

For the three and six months ended June 30, 2018, the Company had revenues of $1,553 and $2,690 from customers in Canada, $399 and $886 from customers in the U.S. and $150 and $150 from other regions ($1,187 and $2,202 for Canada, $7 and $7 for the U.S., and $584 and $584 for other regions for the three and six months ended June 30, 2017).

16. SUBSEQUENT EVENTS

Endo – Promissory note

On July 5, 2018, the promissory note was amended such that Endo accepted a prepayment of $1,500 in full satisfaction of the Company's obligation to prepay a portion of the promissory note from 50% of the net proceeds of the equity financing closed on June 28, 2018. Under the amended promissory note, the remaining balance and all interest accrued and unpaid would be paid the earlier of (i) the next equity financing completed by the Company; and (ii) June 30, 2019 unless another pre-payment obligation under the promissory note is triggered.