Aeterna Zentaris Inc.
Form F-10
May 25, 2012
**Table of Contents**

**As filed with the Securities and Exchange Commission on May 25, 2012**

**Registration No. 333-**

# U.S. SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM F-10

# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# Aeterna Zentaris Inc.

**(Exact name of Registrant as specified in its charter)**

**Not Applicable**

**(Translation of Registrant s name into English)**

| Canada | 2834 | Not Applicable |
|---|---|---|
| (Province or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**1405 du Parc-Technologique Boulevard**

**Quebec City, Quebec**

**Canada, G1P 4P5**

**(418) 652-8525**

**(Address and telephone number of Registrant s principal executive offices)**

**Aeterna Zentaris, Inc.**

**25 Mountainview Boulevard**

**Basking Ridge, New Jersey 07920**

**(418) 652-8525**

**(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)**

***Copies to:***

| Dennis Turpin | Elliot Shapiro, Esq. | Patrick O Brien, Esq. |
|---|---|---|
| Aeterna Zentaris Inc. | Norton Rose Canada LLP | Ropes & Gray LLP |
| 1405 du Parc-Technologique Boulevard<br>Quebec City, Quebec | 1 Place Ville Marie, Suite 2500 | Prudential Tower |
| Canada, G1P 4P5 | Montreal, Quebec | 800 Boylston Street |
| (418) 652-8525 | Canada, H3B 1R1 | Boston, MA 02199 |
| | (514) 847-4747 | (617) 951-7000 |

**Approximate date of commencement of proposed sale of the securities to the public:**

**From time to time after the effective date of this Registration Statement.**

**Province of Quebec, Canada**

**(Principal jurisdiction regulating this offering)**

It is proposed that this filing shall become effective (check appropriate box):

A. ¨ upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).

B. x at some future date (check the appropriate box below).

1. ¨ pursuant to Rule 467(b) on (*date*) at (*time*) (designate a time not sooner than 7 calendar days after filing).

2. ¨ pursuant to Rule 467(b) on (*date*) at (*time*) (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on (*date*).

3. ¨ pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.

4. x after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction s shelf prospectus offering procedures, check the following box. x

**CALCULATION OF REGISTRATION FEE**

| **Title of each class of securities to be registered** | **Amount to be registered[(1)(2)]** | **Proposed maximum aggregate offering price[(1)(2)(3)]** | **Amount of registration fee** |
|---|---|---|---|
| Common Shares[(4)] | | | |
| Warrants to purchase Common Shares[(5)] | | | |
| Total | US$100,000,000 | US$100,000,000 | US$11,460[(6)] |

(1) There are being registered under this Registration Statement such indeterminate number of Common Shares (no par value) and Warrants to purchase Common Shares of the Registrant as shall have an aggregate initial offering price not to exceed US$100,000,000. The proposed maximum initial offering price per security will be determined, from time to time, by the Registrant in connection with the sale of the securities registered under this Registration Statement.

(2) In United States dollars or the equivalent thereof as converted from Canadian dollars.

(3) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(4)

Includes associated rights to purchase Common Shares, which purchase rights are not currently separable from the Common Shares and are not currently exercisable. The value, if any, attributable to the purchase rights to be offered is included in the proposed offering price of the Common Shares.

(5) Also includes an indeterminate number of Common Shares (with associated rights to purchase Common Shares, if any) (i) as may be issuable or deliverable upon exercise of Warrants, and (ii) as may be required for delivery upon exercise of any Warrants as a result of anti-dilution provisions.

(6) Calculated in accordance with Rule 457(o).

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registration Statement shall become effective as provided in Rule 467 under the Securities Act of 1933 or on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.**

Table of Contents

**PART I**

**INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS**

**Table of Contents**

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*A copy of this preliminary short form base shelf prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form base shelf prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form base shelf prospectus is obtained from the securities regulatory authorities. This short form base shelf prospectus constitutes a public offering of securities only in those jurisdictions where such securities may be lawfully offered for sale and therein only by persons permitted to sell such securities and it is an offence to claim otherwise.*

*This short form base shelf prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this short form base shelf prospectus has become final and that permits the omission from this short form base shelf prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.* ***Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of the issuer at 1405 du Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5, tel. (418) 652-8525, and are also available electronically at www.sec.gov or www.sedar.com.*

*New Issue* May 25, 2012

**PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS**

# U.S.$100,000,000

# Common Shares

# Warrants to Purchase Common Shares

We may from time to time during the 25-month period that this short form base shelf prospectus (the Prospectus ), including any amendments, remains valid, offer, sell, and issue under this Prospectus up to U.S.$100,000,000 aggregate initial offering price of our common shares (the Common Shares ) and/or warrants to purchase Common Shares (the Warrants , and, together with the Common Shares, the Securities ). We may offer Securities from time to time in one or more transactions in such amounts and, in the case of the Warrants, with such terms, as we may determine in light of prevailing market conditions at the time of sale. We may sell and issue the Warrants under this Prospectus in one or more series.

The specific variable terms of any offering of Securities will be set out in the applicable supplement to this Prospectus (each, a Prospectus Supplement ), including, where applicable: (i) in the case of the Common Shares, the number of Common Shares offered, the offering price, the currency in which the Common Shares will be issued and any other specific terms; and (ii) in the case of the Warrants, the designation of the particular series offered, the number of Warrants offered, the offering price, the currency in which the Warrants will be issued, the number of Common Shares that may be acquired upon exercise of the Warrants, the exercise price, dates and periods of exercise, adjustment procedures and any other specific terms applicable thereto.

A Prospectus Supplement may include specific terms pertaining to the Securities that are not within the alternatives and parameters described in this Prospectus. All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more

Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

**We are a foreign private issuer under United States ( U.S. ) securities laws and are permitted, under a multi-jurisdictional disclosure system ( MJDS ) adopted by the U.S. and Canada, to prepare this Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such**

Table of Contents

**requirements are different from those in the U.S. The financial statements included or incorporated by reference into this Prospectus have been prepared in accordance with International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board. Our consolidated financial statements are subject to Canadian generally accepted auditing standards and auditor independence standards, in addition to the standards of the Public Company Accounting Oversight Board (United States) and the U.S. Securities and Exchange Commission ( SEC ) independence standards.**

**Prospective investors should be aware that the acquisition of the Securities described herein may have tax consequences both in Canada and in the U.S. Such consequences for investors who are resident in, or citizens of, the U.S. or Canada may not be described fully herein. Prospective investors should read the tax discussion in this Prospectus and any applicable Prospectus Supplement.**

**The enforcement of civil liabilities under U.S. federal securities laws may be affected adversely by the fact that we are incorporated under the laws of Canada, that many of our officers and directors and all of the experts named in this Prospectus are residents of Canada or elsewhere outside of the U.S., and that a substantial portion of our assets and the assets of such persons are located outside the U.S. See Enforceability of Civil Liabilities .**

**NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

**Investing in the Securities involves risk. See Risk Factors .**

**Unless otherwise stated, currency amounts in this Prospectus are stated in U.S. dollars, or $ or US$ .**

Our outstanding Common Shares are currently listed for trading on the NASDAQ Global Market ( NASDAQ ) under the trading symbol AEZS and on the Toronto Stock Exchange ( TSX ) under the trading symbol AEZ . On May 24, 2012, the last reported sale price of our Common Shares on NASDAQ was $0.50 per share and the last reported sale price of our Common Shares on TSX was C$0.50 per share. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants purchased under this Prospectus. This may affect the pricing of any Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See the Risk Factors section of the applicable Prospectus Supplement.**

We may sell Securities to or through underwriters or dealers or directly to investors or through agents. The Prospectus Supplement relating to a particular offering of Securities will identify each person who may be deemed to be an underwriter with respect to such offering and will set forth the terms of the offering of such Securities, including, to the extent applicable, the offering price, the proceeds that we will receive, the underwriting discounts or commissions and any other discounts or concessions to be allowed or reallowed to dealers. The managing underwriter or underwriters with respect to Securities sold to or through underwriters will be named in the related Prospectus Supplement. See Plan of Distribution .

**You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with information different from that contained in this Prospectus. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any sale of our Securities.**

Our registered office is located at 1405 du Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5.

Table of Contents

**TABLE OF CONTENTS**



**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents have been filed with the various securities commissions or similar securities regulatory authorities in Canada and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

(a) our annual report on Form 20-F for the financial year ended December 31, 2011 (filed in Canada with the Canadian securities regulatory authorities in lieu of an annual information form), and which includes our consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and our consolidated statement of comprehensive loss, changes in shareholders equity and cash flows for the years ended December 31, 2011 and December 31, 2010 and management s annual report on internal control over financial reporting set out on page 140 of our 2011 annual report on Form 20-F, together with the auditors report dated March 27, 2012 on our consolidated financial statements and on the effectiveness of internal control over financial reporting as at December 31, 2011; and our Management s Discussion and Analysis included as Item 5. Operating and Financial Review and Prospects in our annual report on Form 20-F;

(b) our unaudited interim consolidated financial statements as at March 31, 2012 and for the three-month periods ended March 31, 2012 and 2011 and Management s Discussion and Analysis thereon, included as Exhibit 99.1 to our Report on Form 6-K furnished to the SEC on May 9, 2012;

(c) our material change report dated April 2, 2012, included as Exhibit 99.1 to our Report on Form 6-K furnished to the SEC on April 3, 2012;

(d) our management information circular dated March 27, 2012 in connection with our annual meeting of shareholders held on May 9, 2012, included as Exhibit 99.1 to our Report on Form 6-K furnished to the SEC on March 29, 2012; and

(e)

to the extent permitted by applicable securities law, any other documents which we elect to incorporate by reference into this Prospectus.

Any documents of the type referred to in the preceding paragraph, or similar material, including any annual information form, annual report on Form 20-F, annual and interim financial statements and related management s discussion and analysis, material change report (excluding any confidential material change report, if any), business acquisition report and information circular of Aeterna Zentaris filed with the various securities commissions or similar securities regulatory authorities in Canada or filed with or furnished to the SEC after the date of this Prospectus and prior to the completion or withdrawal of any offering hereunder shall be deemed to be incorporated by reference into this Prospectus.

**Table of Contents**

Information has been incorporated by reference into this Prospectus from documents filed with securities commissions or similar securities regulatory authorities in Canada. We will furnish without charge to each person to whom a copy of this prospectus is delivered, upon written or oral request, a copy of the information that has been incorporated into this prospectus by reference but not delivered with the prospectus (except exhibits, unless they are specifically incorporated into this prospectus by reference). Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Aeterna Zentaris at 1405 du Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5, tel. (418) 652-8525, or through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ( SEDAR ) which can be accessed at www.sedar.com.

In addition to our continuous disclosure obligations under the securities laws of the provinces of Canada, we are subject to the information requirements of the U.S. *Securities Exchange Act of 1934*, as amended (the Exchange Act ), and in accordance therewith we file with or furnish to the SEC reports and other information. Under the MJDS adopted by the U.S. and Canada, these reports and other information that we file with or furnish to the SEC may be prepared in accordance with the disclosure requirements of Canada, which differ in certain respects from those in the U.S. You may read and copy any document that we have filed with the SEC at the SEC s public reference room at Room 1580, 100 F Street N.E., Washington, D.C., 20549. You may also obtain copies of the same documents from the public reference room of the SEC by paying a fee. You should call the SEC at 1-800-SEC-0330 or access its website at www.sec.gov for further information about the public reference rooms. The SEC s EDGAR Internet site also contains reports and other information about us and any public documents that we file electronically with the SEC. The EDGAR site can be accessed at www.sec.gov.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus, except as so modified or superseded.

Upon a new annual information form or annual report on Form 20-F and the related audited annual consolidated financial statements together with the auditors report thereon and management s discussion and analysis related thereto being filed by us with the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form or annual report on Form 20-F, the previous audited annual consolidated financial statements and all interim financial statements, annual and quarterly management s discussion and analyses, material change reports and business acquisition reports filed by us prior to the commencement of our financial year in which the new annual information form or annual report on Form 20-F was filed, no longer shall be deemed to be incorporated by reference into this Prospectus for the purpose of future offers and sales of Securities hereunder.

One or more Prospectus Supplements containing the specific variable terms of an offering of Securities and other information in relation to such Securities will be delivered to purchasers of such Securities together with this Prospectus and shall be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the offering of the Securities covered by any such Prospectus Supplement.

A Prospectus Supplement containing any additional or updated information that we elect to include therein will be delivered with this Prospectus to purchasers of Securities who purchase such Securities after the filing of this Prospectus and shall be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement.

In this Prospectus and in any Prospectus Supplement, unless otherwise indicated, references to we , us , our , Aeterna Zentaris or the Company to Aeterna Zentaris Inc., a Canadian corporation, and its consolidated subsidiaries, unless it is clear that such terms refer only to Aeterna Zentaris Inc. excluding its subsidiaries.

## DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the SEC as part of the registration statement of which this prospectus forms a part: (1) the documents listed under the heading "Documents Incorporated by Reference"; (2) powers of attorney from our directors and officers; (3) the consent of PricewaterhouseCoopers LLP; and (4) the consent of Norton Rose Canada LLP.

Table of Contents

## CURRENCY AND EXCHANGE RATES

The following table sets out the high and low exchange rates for one U.S. dollar expressed in Canadian dollars, for the period indicated and, the average of such exchange rates, and the exchange rate at the end of such period, in each case, based upon the noon rates as quoted by the Bank of Canada:

| | Three-month period ended March 31, 2012 | Year ended December 31, 2011 | 2010 | 2009 |
|---|---|---|---|---|
| High | 1.0272 | 1.0604 | 1.0778 | 1.3000 |
| Low | 0.9849 | 0.9449 | 0.9946 | 1.0292 |
| Rate at end of period | 0.9991 | 1.0170 | 0.9946 | 1.0466 |
| Average rate per period | 1.0011 | 0.9891 | 1.0299 | 1.1420 |

On May 24, 2012, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon rate of the Bank of Canada was C$1.0275.

## FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated herein by reference contain forward-looking statements concerning the business, operations, financial performance and condition of Aeterna Zentaris. When used in this Prospectus, words such as may , will , should , could , expects , pl seeks , anticipates , intends , believes , estimates , predicts , potential or continue or the negative of these terms and similar expressions to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations and are naturally subject to uncertainty and changes in circumstances that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond our control. Such risks include but are not limited to:

- investments in biopharmaceutical companies are generally considered to be speculative;
- we may never achieve or maintain operating profitability;
- our clinical trials may not yield results which will enable us to obtain regulatory approval for our products and we may suffer setbacks in any of our clinical trials;
- we may not be able to successfully complete our clinical trial programs, or such clinical trials could take longer to complete than we project;
- the impact of the stringent ongoing government regulation to which our product candidates are subject and future changes in such regulatory environment;
- we may not be able to generate significant revenues if our products do not gain market acceptance;
- we may require significant additional financing, and we may not have access to sufficient capital;

we may cease to continue operating as we do if we are unsuccessful in increasing our revenues and/or raising additional funding;

failure to achieve our projected development goals in the time-frames we announce and expect;

the impact of any failure on our part to obtain acceptable prices or adequate reimbursement for our products on our ability to generate revenues;

competition in our targeted markets;

we may not obtain adequate protection for our products through our intellectual property;

we may infringe the intellectual property rights of others;

Table of Contents

we may incur liabilities from our involvement in any patent litigation;

we may not obtain trademark registrations in connection with our product candidates;

we may not be able to make adequate arrangements with third parties for the purpose of commercializing our product candidates;

the failure to perform satisfactorily by third parties upon which we rely to conduct, supervise and monitor our clinical trials;

the failure to perform satisfactorily by third parties upon which we rely to manufacture and supply products;

our ability to retain or attract key personnel;

our strategic partners manufacturing capabilities may not be adequate to effectively commercialize our product candidates;

risks related to product liability claims;

the impact of legislative actions, new accounting pronouncements and higher insurance costs on our future financial position or results of operations;

fluctuations in currency exchange rates; and

stock market volatility and the possibility that our Common Shares may be delisted from the stock exchanges on which they currently trade.

More detailed information about these and other factors is included in this Prospectus under the section entitled Risk Factors as well as in other documents incorporated by reference into this Prospectus. Many of these factors are beyond our control. Future events may vary substantially from what we currently foresee. You should not place undue reliance, if any, on such forward-looking statements. Aeterna Zentaris disavows and is under no obligation to update or alter such forward-looking statements whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

## ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation incorporated under and governed by the *Canada Business Corporations Act*. Many of our officers and directors, and all of the experts named in this Prospectus, are residents of Canada or elsewhere outside of the U.S., and a substantial portion of our assets and the assets of such persons are located outside the U.S. As a result, it may be difficult for investors in the U.S. to effect service of process within the U.S. upon such directors, officers and representatives of experts who are not residents of the U.S. or to enforce against them judgments of a U.S. court predicated solely upon civil liability under U.S. federal securities laws or the securities laws of any state within the U.S. We have been advised by our legal counsel, Norton Rose Canada LLP, that a judgment of a U.S. court predicated solely upon civil liability under U.S. federal securities laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. We have also been advised by Norton Rose Canada LLP, however, that there is substantial doubt as to whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon U.S. federal securities laws.

## OUR BUSINESS

We are an oncology and endocrinology drug development company currently investigating treatments for various unmet medical needs. Our pipeline encompasses compounds at all stages of development, from drug discovery through marketed products. We also benefit from our relationships with strategic collaborators and licensee partners to contribute to the development of our pipeline of product candidates and to establish commercial activities in specific territories.

Our highest priorities in oncology are the advancement of a Phase 3 study with perifosine, an oral AKT/PI3K inhibitor, in multiple myeloma ( MM ), as well as the initiation of a Phase 3 study in endometrial cancer with AEZS-108, a doxorubicin luteinizing hormone releasing hormone ( LHRH ) targeted conjugate compound, while advancing perifosine and AEZS-108 in other cancer indications. In endocrinology, a Phase 3 trial under a Special Protocol Assessment ( SPA ) obtained from the U.S. Food and Drug Administration ( FDA ) with AEZS-130, an oral ghrelin agonist, as a diagnostic test for adult growth hormone deficiency ( AGHD ) has been completed, and we are planning to file a New Drug Application ( NDA ) for its registration in the U.S.

**Table of Contents**

Aeterna Zentaris Inc. was incorporated on September 12, 1990 under the laws of Canada. Our registered office is located at 1405 du Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5, our telephone number is (418) 652-8525 and our website is *www.aezsinc.com*. None of the documents or information found on our website shall be deemed to be included in or incorporated into this Prospectus, unless such document is specifically incorporated herein by reference and enumerated as such under Documents Incorporated by Reference .

We currently have three wholly-owned direct and indirect subsidiaries, Aeterna Zentaris GmbH ( AEZS Germany ), based in Frankfurt, Germany, Zentaris IVF GmbH, a direct wholly-owned subsidiary of AEZS Germany, based in Frankfurt, Germany and Aeterna Zentaris, Inc., based in Basking Ridge, New Jersey in the U.S. AEZS Germany is our principal operating subsidiary.

Our Common Shares are currently listed for trading on NASDAQ under the trading symbol AEZS and on TSX under the trading symbol AEZ .

The following table summarizes the development status of our principal products and product candidates:

**Status of our drug pipeline as at May 25, 2012**

| **Discovery** | **Pre-clinical** | **Phase 1** | **Phase 2** | **Phase 3** | **Commercial** |
|---|---|---|---|---|---|
| ~120,000<br><br>compound<br><br>library | AEZS-120<br><br>Prostate cancer immunotherapy (vaccine)<br><br>Phosphoinositide 3-kinase ( PI3K )/Erk inhibitors (oncology)<br><br>AEZS-137 (Disorazol Z) (oncology)<br><br>AEZS-125 (LHRH-Disorazol Z) (oncology) | AEZS-112 (oncology) | AEZS-108<br>Endometrial cancer<br>Ovarian cancer<br>CRPC<br>Refractory bladder cancer<br>Triple-negative breast cancer<br>Ozarelix<br>Prostate cancer<br>AEZS-130<br>Therapeutic in cancer cachexia<br>Perifosine<br>Multiple cancers | Perifosine<br>Multiple myeloma<br>AEZS-130<br>Diagnostic in AGHD (endocrinology) | Cetrotide®<br><br>(*in vitro* fertilization) |
| **Partners** | | | Perifosine:<br><br>**Handok**<br><br>Korea<br><br>**Yakult**<br><br>Japan<br><br>**Hikma**<br><br>Middle East/North Africa | Perifosine:<br><br>**Handok**<br><br>Korea<br><br>**Yakult**<br><br>Japan<br><br>**Hikma**<br><br>Middle East/North Africa | Cetrotide®:<br><br>**Merck Serono**<br><br>(World except Japan)<br><br>**Nippon Kayaku / Shionogi**<br><br>Japan |

Table of Contents

| Discovery | Pre-clinical | Phase 1 | Phase 2 | Phase 3 | Commercial |
|---|---|---|---|---|---|
| | | | Ozarelix: | | |
| | | | **Spectrum** | | |
| | | | World (ex-Japan for oncology indications, ex-Korea and ex-other Asian countries for BPH indication) | | |
| | | | **Handok** | | |
| | | | Korea and other Asian countries for BPH indication | | |
| | | | **Nippon Kayaku** | | |
| | | | Japan for oncology indications | | |

**Our Business Strategy**

Our primary business strategy is to advance, with the collaboration of our strategic partners, our product development pipeline with a focus on our principal product candidates in oncology and endocrinology. In addition, we continue to advance certain other clinical and pre-clinical programs as described below. Our vision is to become a fully-integrated specialty biopharmaceutical company.

***Oncology***

*Perifosine*

Perifosine is an orally active AKT/PI3K pathway inhibitor.

We are currently conducting a Phase 3 study in MM and advancing Phase 2 studies in other indications.

The FDA and the Committee for Orphan Medicinal Products of the EMA have granted orphan-drug status for perifosine in MM in the U.S. and Europe, respectively. The ongoing perifosine Phase 3 study in MM is conducted under a SPA in the U.S. and a positive scientific advice from the EMA in Europe.

We own the worldwide rights to perifosine ex-Japan, Korea and the Middle East and North Africa countries ( MENA ).

*AEZS-108*

AEZS-108 represents a targeting concept in oncology leading to personalized medicine using a cytotoxic peptide conjugate, which is a hybrid molecule composed of a synthetic peptide carrier and doxorubicin. The design of AEZS-108 allows for the specific binding and selective uptake of the cytotoxic conjugate by LHRH receptor-positive tumors.

We are planning to initiate a Phase 3 program in endometrial cancer, while advancing Phase 2 studies in Castration Refractory Prostate Cancer ( CRPC ) and refractory bladder cancer. We are also initiating a Phase 2 study in triple-negative breast cancer ( TNBC ).

We own the worldwide rights to AEZS-108 and also have a collaboration agreement in place with Ventana Medical Systems, Inc. ( Ventana ) to develop a companion diagnostic for the immunohistochemical determination of LHRH-receptor expression for AEZS-108.

***Endocrinology***

In endocrinology, in addition to Cetrotide®, we have completed a Phase 3 trial with AEZS-130, which would be the first oral diagnostic test for AGHD.

Table of Contents

*AEZS-130*

AEZS-130, a ghrelin agonist, is an orally available synthetic small molecule that stimulates the secretion of growth hormone.

We completed a Phase 3 trial under a SPA obtained from the FDA. Subject to the conclusion of a successful pre-NDA meeting with the FDA, we plan to file an NDA in the U.S.

AEZS-130 has been granted orphan-drug designation by the FDA in the U.S. as a diagnostic test for AGHD.

In addition to the diagnostic indication, we believe that AEZS-130 has potential application for the treatment of cachexia, a wasting and muscle loss condition frequently associated with severe chronic diseases such as cancer, chronic obstructive pulmonary disease and Acquired Immune Deficiency Syndrome. Furthermore, the FDA has agreed to allow for the initiation of a physician sponsored IND Phase 2A trial in cancer induced cachexia. The study is currently conducted under a Cooperative Research and Development Agreement ( CRADA ) with the Michael E. DeBakey Veterans Affairs Medical Center which will be funding the study.

We own the worldwide rights to AEZS-130.

***Clinical and Pre-clinical Programs***

AEZS-112, an oral anticancer agent which involves three mechanisms of action (tubulin, topoisomeras II and angiogenesic inhibition) has completed a Phase 1 trial in advanced solid tumors and lymphoma. Additionally, several novel targeted potential anti-cancer candidates such as AEZS-120, a live recombinant oral tumor vaccine candidate, as well as our PI3K/Erk inhibitors, including AEZS-136, are currently in pre-clinical development.

We also continue to perform targeted drug discovery activities from which we are able to derive pre-clinical candidates. This drug discovery includes high throughput screening systems and a library of more than 120,000 compounds.

Table of Contents

## RISK FACTORS

The purchase of Securities offered under this Prospectus involves risks which prospective purchasers should take into consideration when making a decision to purchase such Securities. Investors should carefully consider the risks described below, together with all of the other information included in this Prospectus and the documents incorporated by reference into this Prospectus, before making an investment decision. Certain of these risk factors have been disclosed in our annual report on Form 20-F for the financial year ended December 31, 2011 (filed in Canada with the Canadian securities regulatory authorities in lieu of an annual information form) under the heading Risks Factors and in our management s discussion and analysis for the three-month period ended March 31, 2012 under the heading Risks Factors and Uncertainties , which documents are incorporated by reference into this Prospectus. This discussion of risk factors will be updated from time to time in our subsequent filings with the Canadian securities regulatory authorities, including in subsequent annual and quarterly management s discussion and analysis and annual information forms. If any of the following risks actually occurs or materializes, our business, financial condition or results of operations could be adversely affected, even materially adversely affected. In such an event, the trading price of our Securities could decline and you may lose part or all of your investment. Any reference in this section to our products includes a reference to our product candidates and future products we may develop.

**Risks Related to Us and Our Business**

***Investments in biopharmaceutical companies are generally considered to be speculative.***

The prospects for companies operating in the biopharmaceutical industry may generally be considered to be uncertain, given the very nature of the industry and, accordingly, investments in biopharmaceutical companies should be considered to be speculative.

***We have a history of operating losses and we may never achieve or maintain operating profitability.***

Our product candidates remain at the development stage, and we have incurred substantial expenses in our efforts to develop products. Consequently, we have incurred recurrent operating losses and, as disclosed in our unaudited interim consolidated financial statements as at and for the three-month periods ended March 31, 2012 and 2011, we had an accumulated deficit of U.S.$200.4 million as at March 31, 2012. Our operating losses have adversely impacted, and will continue to adversely impact, our working capital, total assets and shareholders deficiency. We do not expect to reach operating profitability in the immediate future, and our expenses are likely to increase as we continue to expand our research and development ( R&D ) and clinical study programs and our sales and marketing activities and seek regulatory approval for our product candidates. Even if we succeed in developing new commercial products, we expect to incur additional operating losses for at least the next several years. If we do not ultimately generate sufficient revenue from commercialized products and achieve or maintain operating profitability, an investment in our Securities could result in a significant or total loss.

***Our clinical trials may not yield results which will enable us to obtain regulatory approval for our products, and a setback in any of our clinical trials would likely cause a drop in the price of our Securities.***

We will only receive regulatory approval for a product candidate if we can demonstrate in carefully designed and conducted clinical trials that the product candidate is both safe and effective. We do not know whether our pending or any future clinical trials will demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals or will result in marketable products. Unfavorable data from those studies could result in the withdrawal of marketing approval for approved products or an extension of the review period for developmental products. Clinical trials are inherently lengthy, complex, expensive and uncertain processes and have a high risk of failure. It typically takes many years to complete testing, and failure can occur at any stage of testing. Results attained in pre-clinical testing and early clinical studies, or trials, may not be indicative of results that are obtained in later studies.

None of our product candidates has to date received regulatory approval for its intended commercial sale. We cannot market a pharmaceutical product in any jurisdiction until it has completed rigorous pre-clinical testing and clinical trials and passed such jurisdiction s extensive regulatory approval process. In general, significant research and development and clinical studies are required to demonstrate the safety and efficacy of our product candidates before we can submit regulatory applications. Pre-clinical testing and clinical development are long, expensive and uncertain

Table of Contents

processes. Preparing, submitting and advancing applications for regulatory approval is complex, expensive and time-consuming and entails significant uncertainty. Data obtained from pre-clinical and clinical tests can be interpreted in different ways, which could delay, limit or prevent regulatory approval. It may take us many years to complete the testing of our product candidates and failure can occur at any stage of this process. In addition, we have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approval in the U.S., in Canada and abroad and, accordingly, may encounter unforeseen problems and delays in the approval process. Though we may engage a clinical research organization with experience in conducting regulatory trials, errors in the conduct, monitoring and/or auditing could invalidate the results from a regulatory perspective. Even if a product candidate is approved by the FDA, the Canadian Therapeutic Products Directorate or any other regulatory authority, we may not obtain approval for an indication whose market is large enough to recoup our investment in that product candidate. In addition, there can be no assurance that we will ever obtain all or any required regulatory approvals for any of our product candidates.