Acerus Pharmaceuticals Corporation

Unaudited Interim Condensed Consolidated Financial Statements

March 31, 2020

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

Acerus Pharmaceuticals Corporation

Condensed Interim Consolidated Statements of Financial Position
As at March 31, 2020 and December 31, 2019
Unaudited
(expressed in thousands of U.S. dollars)

	Notes	March 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		$ 18,242	$ 5,860
Trade and other receivables		180	171
Contract asset		403	473
Inventory	6	1,736	1,494
Prepaid and other assets	7	2,213	1,237
Total current assets		22,774	9,235
Property and equipment, net		987	1,051
Right of use asset		251	263
Intangible assets, net	8	4,712	4,891
Total assets		$ 28,724	$ 15,440
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 7,556	$ 7,408
Current portion of long-term debt	10	91	-
Current portion of lease liability		94	101
Total current liabilities		7,741	7,509
Lease liability		443	510
Long-term debt	10	8,116	19,990
Derivative financial instruments		142	262
Total liabilities		16,442	28,271
Shareholders' equity (deficiency)			
Share capital	11	$ 188,133	$ 158,402
Warrants	11	1,420	1,420
Contributed surplus		11,406	11,361
Accumulated other comprehensive loss		(13,949)	(13,949)
Deficit		(174,728)	(170,065)
Total shareholders' equity (deficiency)		12,282	(12,831)
Total liabilities & shareholders' equity (deficiency)		$ 28,724	$ 15,440

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.
Going concern (note 1)
These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 11, 2020.

Acerus Pharmaceuticals Corporation

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2020 and 2019
Unaudited
(expressed in thousands of U.S. dollars, except per share and share data)

	Notes	March 31, 2020	March 31, 2019
Product revenue		$ 145	$ 2,165
Cost of goods sold	12	201	632
Gross margin (loss)		(56)	1,533
Expenses			
Research and development	12	622	1,038
Selling, general and administrative	12	3,577	4,238
Total operating expenses		4,199	5,276
Operating loss		(4,255)	(3,743)
Other expenses/(income)			
Interest on long-term debt and other financing costs	10	846	647
Interest income		(31)	(1)
Foreign exchange (gain)/loss		(244)	(90)
Change in fair value of derivative financial instruments		(163)	132
Total other expenses		408	688
Net loss for the period		$ (4,663)	$ (4,431)
Other comprehensive income, net of income tax			
Foreign currency translation adjustment		-	56
Total comprehensive loss for the period		$ (4,663)	$ (4,375)
Loss per common share			
Basic and diluted net loss per common share	13	$ (0.01)	$ (0.02)
Weighted average common shares outstanding			
Basic and diluted	13	656,423,941	235,900,501
Diluted	13	656,423,941	235,900,501

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

Acerus Pharmaceuticals Corporation
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the three months ended March 31, 2020 and 2019
Unaudited
(expressed in thousands of U.S. dollars)

	Note	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2019		$ 154,737	$ 1,420	$ 11,500	$ (13,851)	$ (153,877)	$ (71)
Adjustment for IFRS 16: Leases		-	-	-	-	(59)	(59)
Adjusted Balance as at January 1, 2019		154,737	1,420	11,500	(13,851)	(153,936)	(130)
Net loss for the period		-	-	-	-	(4,431)	(4,431)
Foreign currency translation adjustment		-	-	-	56	-	56
Total comprehensive loss for the period		-	-	-	56	(4,431)	(4,375)
Issuance of common shares, net of costs	11	3,346	-	-	-	-	3,346
Share based compensation		-	-	80	-	-	80
Balance as at March 31, 2019		$ 158,083	$ 1,420	$ 11,580	$ (13,795)	$ (158,367)	$ (1,079)
Balance as at January 1, 2020		158,402	1,420	11,361	(13,949)	(170,065)	(12,831)
Net loss for the period		-	-	-	-	(4,663)	(4,663)
Foreign currency translation adjustment	3	-	-	-	-	-	-
Total comprehensive loss for the period		-	-	-	-	(4,663)	(4,663)
Issuance of common shares, net of costs	11	17,799	-	-	-	-	17,799
Debt and interest accrued conversion, net of costs	11	11,932	-	-	-	-	11,932
Share based compensation		-	-	45	-	-	45
Balance as at March 31, 2020		$ 188,133	$ 1,420	$ 11,406	$ (13,949)	$ (174,728)	$ 12,282

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

Acerus Pharmaceuticals Corporation

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
Unaudited
(expressed in thousands of U.S. dollars)

	Note	March 31, 2020	March 31, 2019
Operating activities:			
Net loss for the period		$ (4,663)	$ (4,431)
Items not affecting cash:			
Adjustment for unrealized foreign exchange (gain)		(51)	(134)
Amortization of intangible assets	8, 12	179	289
Depreciation of property and equipment	12	64	64
Depreciation of right of use asset	12	12	12
Interest on long-term debt and other financing costs	10	846	647
Change in fair value of derivative financial instruments		(163)	132
Share based compensation	12, 14	45	80
Impairment on intangible asset	12	-	2,471
Net changes in non-cash working capital items related to operating activities:			
Trade and other receivables		(9)	40
Contract asset		70	(694)
Inventory		(98)	229
Prepaids and other assets		(976)	(67)
Accounts payable and accrued liabilities		153	(436)
Net cash used in operating activities		(4,591)	(1,798)
Financing activities			
Interest and financing fees paid	10	(458)	(336)
Proceeds from issuance of common shares, net of financing costs	11	17,799	3,346
Financing costs from debt conversion	11	(94)	-
Payment of long-term debt	10	(250)	-
Principal elements of lease payments		(24)	(20)
Net cash from financing activities		16,973	2,990
Investing activities			
Acquisition of property and equipment, net of deposits		-	(4)
Acquisition of product rights		-	(100)
Net cash used in investing activities		-	(104)
Net increase in cash for the period		12,382	1,088
Exchange gain on cash		-	74
Cash, beginning of period		5,860	3,829
Cash, end of period		$ 18,242	$ 4,991

The accompanying notes are an integral part of these unaudited condensed interim 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, or commercial transactions with lenders or investors, to continue the development and commercialization of additional products. These circumstances cast 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, and meet the amended minimum threshold for consolidated unencumbered liquid assets required to be maintained by the Company, additional capital will be required. In addition, the anticipated shortage of certain strengths of Estrace® in 2020 and the manufacturing process change in Natesto® that resulted in Health Canada requiring the submission of a Supplemental New Drug Submission ("SNDS") before the product can be re-introduced to the Canadian market could result in the Company failing to meet projected revenues or other budgeted targets, which could result in the Company violating its debt financial covenants within the next twelve months. 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 and obtaining additional financing, and 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) and Acerus Biopharma Inc. ("ABI") (incorporated in Ontario). 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 that improve the patient experience, with a primary focus in the field of men's health. The Company commercializes its products via its own salesforce in the United States and through a global network of licensed distributors in 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, 2019, except as noted below.

Foreign currency translation

Financial Statements

Effective January 1, 2020, the Company changed the functional currency of the Canadian parent and its wholly-owned subsidiary ALI to the United States dollar given the increasing prevalence of the United States dollar-denominating activities of the Company over time. ABI remains consistent in using the United States dollar as its functional currency. The change in functional currency from the Canadian dollars to the United States dollar is accounted for prospectively from January 1, 2020. The exchange rate used to translate the balance sheet to reflect the change in functional currency on adoption was $0.77. This results in all of the entities in the unaudited condensed interim consolidated financial statements having a functional currency and presentation currency of the United States dollar.

(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, 2019, 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 current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of these standards.

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 revenue and 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 December 31, 2019, except as noted below.

Impact of COVID-19 pandemic

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. This disruption, even if temporary, may impact the Company's operations and overall business by delaying the progress of its research and development programs and production activities. While there is significant uncertainty, as to the duration and impact of this pandemic, the Company does not foresee adverse effects on the Company's supply chain, collectability of its receivables or further impairment triggering events in relation to the carrying value of the Company's intangible assets at this time arising from COVID-19.

5. PRODUCTS

(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 paid the $7,500 in the following instalments: $750 was paid in July 2018, $1,750 was paid in September 2018, $625 was paid in January 2019, $2,025 was paid in April 2019 which includes a deferral fee of $150, and $625 was paid in January 2020, with the remaining $1,875 and a deferral fee of $150 paid April 2020. The Company recorded an expense of $6,680 in the year ended December 31, 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.

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 ABI files itself. As well, there is a cap on royalty payments of $25,000 per product.

5. PRODUCTS (continued)

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

In October 2015, the Company entered into a five-year intellectual property right and product development agreement with a third party to exclusive worldwide rights to develop, manufacture and market nasal and pulmonary inhalation devices developed or manufactured using the TriVair technology. In return the Company was to receive 25% of any upfront fees, payments, or milestone payments on partnering transactions entered into by this third party and 15% of all revenues received by this third party in connection with the sale of products developed using the technology to other parties. The third party has the option to extend this agreement by a further five years from the expiry of the term if the total amounts received by the Company during the initial term are at least $500.

In February 2020 this agreement was amended to change the amount that the Company will receive to 37% of any upfront fees, payments, or milestone payments on the first partnering transaction entered into by this third party in connection with the sale of products developed using the technology to other parties. The term of the agreement was also extended for a further five years and the contract extension option was amended to make it conditional on the Company receiving at least $2,500 during the initial term.

(c) Estrace®

The Company acquired the Canadian rights to Estrace® from affiliates of Shire plc in July 2014. The acquisition was accounted for as a business combination. On January 11, 2019, the Corporation reported an anticipated shortage of certain doses of Estrace® on the Drug Shortages Canada website in relation to supply issues arising from the Corporation's contract manufacturer. A shortage of Estrace® may accelerate erosion of Estrace® sales due to the presence of the third-party generic.

(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 product.

(e) avanafil (formerly identified as 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 avanafil in Canada. Avanfil is a new chemical entity targeting the large and growing Erectile Dysfunction ("ED") market and is available in the U.S. under the brand name Stendra®. 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 avanafil and will receive a supply price for the product comprised of a transfer price and royalties on net sales of the product. On March 4, 2019, the Company announced it filed a NDS for avanafil with Health Canada. The initial screening process by Health Canada was completed in June 2019.

Please see subsequent events note for further updates.

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

5. PRODUCTS (continued)

(f) Lidbree™

On May 29, 2018 the Company entered into an exclusive agreement with Pharmanest AB ("Pharmanest") to commercialize Short Acting Lidocaine Product (Lidbree™), 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 Lidbree™ and will receive a tiered supply price for the product comprised of a percentage on net sales of the product.

6. INVENTORY

	March 31, 2020	December 31, 2019
Raw materials	$ 1,556	$ 1,332
Work in progress	155	133
Finished goods	25	29
Total inventory	$ 1,736	$ 1,494

The cost of finished goods recognized as an expense and included in cost of goods sold amounted to $17 for the three months ended March 31, 2020 ($268 for the three months ended March 31, 2019).

7. PREPAIDS AND OTHER ASSETS

	March 31, 2020	December 31, 2019
Deposits with vendors	$ 2,169	$ 1,165
Other	44	72
Total prepaid and other assets	$ 2,213	$ 1,237

8. INTANGIBLE ASSETS

	Technology and patents	Product rights	Total
Costs			
Balance, January 1, 2020	$ 4,400	$ 30,887	$ 35,287
Balance, March 31, 2020	$ 4,400	$ 30,887	$ 35,287
Accumulated depreciation			
Balance, January 1, 2020	$ 2,525	$ 27,871	$ 30,396
Amortization	27	152	179
Balance, March 31, 2020	$ 2,552	$ 28,023	$ 30,575
Net book value			
March 31, 2020	$ 1,848	$ 2,864	$ 4,712

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

8. INTANGIBLE ASSETS (continued)

	Technology and patents	Product rights	Total
Costs			
Balance, January 1, 2019	$ 4,400	$ 29,382	$ 33,782
Addition	-	100	100
Disposal	-	(73)	(73)
Effect of foreign currency exchange difference	-	1,478	1,478
Balance, December 31, 2019	$ 4,400	$ 30,887	$ 35,287
Accumulated depreciation			
Balance, January 1, 2019	$ 2,415	$ 23,434	$ 25,849
Amortization	110	708	818
Disposal	-	(73)	(73)
Impairment charges	-	2,536	2,536
Effect of foreign currency exchange difference	-	1,266	1,266
Balance, December 31, 2019	$ 2,525	$ 27,871	$ 30,396
Net book value			
December 31, 2019	$ 1,875	$ 3,016	$ 4,891

Amortization expense related to the technology and patents is computed based on the life of the existing patents and is included in the research and development expense on the condensed interim consolidated statements of loss and comprehensive loss. The remaining life of the Direct Haler patents and patent applications (if issued) is 16 years and 10 months.

Amortization of $27 has been recorded for the three months ended March 31, 2020 ($27 for the three months ended March 31, 2019).

Product rights includes rights for Estrace®, Lidbree™, UriVarx® and Stendra®. Of the product acquisition costs, $300 was accrued but not payable at March 31, 2020. Amortization of $142 has been recorded in cost of goods sold and $10 in research and development costs for the three months ended March 31, 2020 ($252 in cost of goods sold and $10 in research and development for the three months ended March 31, 2019).

The Company reached a mutual agreement with Innovus to terminate the exclusive distributor and license agreement for UriVarx® effective June 1, 2019. As such the Company recorded an impairment charge of $65 representing the remaining balance of the UriVarx® intangible asset ($73 of cost and $8 of accumulated depreciation as at that date) and recorded a disposal of this intangible asset for the year ended December 31, 2019.

On January 11, 2019, the Company reported an anticipated shortage of certain doses of Estrace® on the Drug Shortages Canada website in relation to supply issues arising from the Company's contract manufacturer. The Company was notified by its contract manufacturer of a partial manufacturing license suspension at the facility where Estrace® is being produced as a result of an audit by United Kingdom health authorities. Anticipating a potential shortage of certain strengths of Estrace®, the Company impaired the related intangible asset by $2,641 as at December 31, 2018. In 2019, the Company was informed of further delays in lifting the license suspension and, as a result, the Company impaired the asset by a further $2,471 as at March 31, 2019. An alternative manufacturer has been identified and the Company is working towards securing supply of product in fiscal 2020.

(All amounts expressed in thousands of U.S. dollars except per share amounts
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8. INTANGIBLE ASSETS (continued)

A shortage of Estrace® may accelerate the erosion of Estrace® sales due to the presence of the third-party generic. The intangible asset was written down to its recoverable amount in 2019 using a value-in-use discounted cash flow model. The most critical assumptions in determining the recoverable amount of this asset are in estimating when replacement product will be available and the impact that the current product shortage will have on the Company's sales level in both the short and longer term due to the presence of the third-party generic. Other key assumptions include estimating an appropriate pre tax discount rate reflecting current market assessments of the risks specific to this asset for which future cash flow estimates have not been adjusted, declining revenue growth rates, projected costs of goods sold using an alternative contract manufacturer and working capital requirements.

In the 2019 impairment model, the Company assumed it would receive more product to sell by the second quarter in fiscal 2020 (versus by September 2019 in the 2018 impairment model), annual sales would have declined at 12.5% a year absent the stock shortages, and that actual sales would recover to approximately half of the level that would otherwise have been forecast in the absence of the product shortage by the end of the 5-year forecast period, with a 12.5% declining terminal growth rate thereafter. The 2019 impairment model also reflects an increased cost of goods related to transferring the product to a different contract manufacturer. The projected cash flows have been discounted using a pre-tax discount rate of 16.9%

Assuming all variables remain constant, an increase or decrease in the discount rate used in the 2019 impairment model by 1% would have resulted in a $114 increase and $123 decrease in net loss, respectively. Assuming all variables remain constant, an increase or decrease in estimated revenues used by 10% would have resulted in a $415 decrease and $419 increase in net loss respectively.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
Accounts payable	$ 727	$ 1,012
Employee salaries and benefits payable	307	239
Buyout payable (note 5a)	1,873	2,486
Interest and financing fees payable (note 10)	283	457
Accrued liabilities	1,313	1,220
Payables related to Natesto® US co-promote	2,239	1,060
Provision for returns and discounts	814	934
Total accounts payable and accrued liabilities	$ 7,556	$ 7,408

On August 2, 2019, the Company announced that it would voluntarily replace certain Natesto® lots released in the Canadian and South Korean markets, which is expected to cause temporary shortages in those markets. Acerus has identified four commercial lots of Natesto® released in the Canadian and South Korean markets that were found to be non-conforming during long-term stability studies, even though such lots were fully in-specification at the time of release. This post-release non-conformity is not harmful to the patient, but may result in difficulties in dispensing.

Acerus made minor modifications to the manufacturing process that appear to have resolved the previously identified issues and has produced a batch of Natesto® (the "Revised Batch"). While Acerus believed the changes would have been classified by Health Canada as level III, thereby requiring only an annual notification update to Health Canada and allowing for product to be released in Q4-2019, Health Canada, after much deliberation, classified the modifications as level I, requiring the submission of an SNDS prior to the release of the Revised Batch in the Canadian market. In the event that Health Canada utilizes the full regulatory allotted time for reviewing a SNDS, Acerus would expect the Revised Batch to be released in the Canadian Market in Q1-2021. Acerus continues to work with Health Canada to facilitate an expeditious review of the SNDS and minimize market disruptions.

The Company currently expects the current supply of Natesto® to the United States not to be affected by this situation. Acerus is working with its South Korean partner to determine whether the Revised Batch can be released in the South Korean market and, if so, under what timeframes.

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

As at March 31, 2020, the Company has accrued $624 (included in provision for returns and discounts in the table above) related to potential refunds that would be payable if all of the affected lots estimated by management to be in the Canadian distribution channel and with patients as well as those sold to the Company's South Korean markets are returned for a full refund. Management used external third-party estimated prescription data to assist in estimating the number of affected lots still in the Canadian distribution channel and the number prescribed to patients and then applied an estimated return assumption.

In December 2019, the amended and restated licensing agreement with Aytu BioScience Inc. ("Aytu") became effective. This moved the partnership from an out-license model to a co-promotion arrangement. Under the terms of the new agreement, Aytu returns the NDA for Natesto® in the U.S. back to Acerus. Going forward, Acerus will assume all regulatory and clinical responsibilities and costs for the product in the U.S. Acerus will take on a more expansive role in matters such as U.S. marketing, reimbursement and medical strategy as part of the companies' joint commercialization committee, and will launch a specialist sales force focused on urologists and endocrinologists (Acerus Sales Channel). Aytu will retain its primary care sales force (Aytu Sales Channel) and will continue to book all product net revenue while serving as the exclusive U.S. supplier of Natesto® to wholesalers, pharmacies and other customers that receive a direct shipment. Financial payments will be based upon a tiered level of net revenue, post cost of goods sold (COGS), based on annual sales performance in the respective Acerus and Aytu Sales Channels. Payables related to Natesto® US co-promote in the table above are for expenses related to Acerus' more expansive role in the U.S.

10. LONG-TERM DEBT

	SWK Facility	First Generation Loan	Total
Balance, January 1, 2019	$ 8,287	$ -	$ 8,287
Amortization of deferred financing costs	353	-	353
Transaction costs	15	-	15
Warrant modification/issuance	(109)	-	(109)
Debt issuance	-	11,500	11,500
Effect of foreign currency exchange difference	(56)	-	(56)
Balance, December 31, 2019	$ 8,490	$ 11,500	$ 19,990
Current portion at December 31, 2019	-	-	-
Long-term portion as at December 31, 2019	$ 8,490	$ 11,500	$ 19,990
Balance, January 1, 2020	$ 8,490	$ 11,500	$ 19,990
Amortization of deferred financing costs	62	-	62
Transaction costs	(88)	-	(88)
Gain on modification	(7)	-	(7)
Debt conversion to common shares	-	(11,500)	(11,500)
Repayment of principal	(250)	-	(250)
Balance, March 31, 2020	$ 8,207	$ -	$ 8,207
Current portion at March 31, 2020	91	-	91
Long-term portion as at March 31, 2020	$ 8,116	$ -	$ 8,116

SWK credit facility

On October 12, 2018, the Company entered into a senior secured term loan credit facility with SWK Funding LLC ("SWK") for up to $11,000 ("New Facility"). An initial tranche of $9,000 of the New Facility was received at closing, with the remaining $2,000 of the New Facility becoming available on or before March 31, 2019, upon satisfaction of certain future conditions. As the conditions were not satisfied, the Company was not able to draw on the additional $2,000 on March 31, 2019.

10. LONG-TERM DEBT (continued)

SWK credit facility (continued)

The New Facility bears interest at a rate per annum equal to the greater of (a) the three-month LIBOR, or (b) 1.50%, with such base rate being capped at no greater than 4.25%, plus an applicable margin of 10.50%. The New Facility matures on October 11, 2023 and was interest-only for the first two years of the term (see subsequent amendments to the facility below). Principal payments thereafter were based on a tiered percentage of net revenue with a cap of $600 per quarter.

As part of the transaction, SWK received an origination fee representing a low single digit percentage of the maximum facility amount, and will receive a final payment on maturity representing a single digit percentage of the principal amount actually advanced under the facility. Acerus has also issued 5,331,563 common share purchase warrants (the "Original Warrants") to SWK as partial consideration for the New Facility. Each Original Warrant entitles SWK to purchase one common share of Acerus at an exercise price of CDN$0.40 per common share, expires on October 11, 2023 and has a cashless exercise feature. Following the second anniversary of the issuance of the Original Warrants, the Company can cause SWK to exercise the Original Warrants prior to their expiry date if the closing price of the Company's common shares on the TSX trades at or above CDN$0.80 per share for a period of at least 21 consecutive trading days.

The proceeds from the New Facility were used primarily to (i) repay the amount outstanding under the Quantius Facility, including a prepayment penalty and royalty retirement fee; (ii) retire the Endo promissory note; and (iii) for ongoing general working capital.

Under the terms of the agreement, the Company will have the option to prepay the loan prior to the maturity date, subject to the payment of certain prepayment fees. The terms of the agreement also contain customary financial covenants some of which were amended in fiscal 2019.

The Company amended the debt agreement in September 2019 to set the minimum threshold for consolidated unencumbered liquid assets required to be maintained by the Company. This amount is defined in the agreement as cash adjusted for a certain portion of accounts receivable and payable. This level was set at (i) $1,000 at September 30, 2019; (ii) $5,000 at December 15, 2019; (iii) $4,000 at December 31, 2019; (iv) $2,000 at January 31, 2020, and (v) $1,000 at all times after January 31, 2020.

In connection with the amendment, the Company agreed to reprice the 5,331,563 Original Warrants from CDN$0.40 to CDN$0.11. In addition, the Original Warrants' expiry date was extended from October 11, 2023 to September 30, 2024. No other changes were made to the term of the Original Warrants. On October 3, 2019, the Company issued 1,361,544 common share purchase warrants (the "New Warrants") to SWK in connection with the amendment. Each New Warrant entitled SWK to purchase one common share of Acerus at an exercise price of CDN$0.11 per common share and expired on September 30, 2024. The terms of the New Warrants were otherwise identical to those of the Original Warrants. As such, in certain circumstances, the Company can cause SWK to exercise the New Warrants prior to their expiry date if the closing price of the Company's common shares on the TSX exceeds CDN$0.80 per share for a period of at least 21 consecutive trading days. The obligation to issue these share purchase warrants are recorded as a warrant derivative liability on the balance sheet.

On December 16, 2019, the Company received a waiver letter from SWK ("SWK Waiver") waiving the requirement to comply with the adjusted EBITDA and aggregate revenue covenants as at December 31, 2019 contained in the credit agreement. The amendment agreement also changed the set minimum threshold for consolidated unencumbered liquid assets required to be maintained by the Company from $1,000 at all times after January 31, 2020 to $2,000.

10. LONG-TERM DEBT (continued)

SWK credit facility (continued)

The waiver of the covenants was contingent on Acerus raising an additional $6,500 prior to December 23, 2019. In connection therewith, Acerus obtained a commitment letter from First Generation Capital Inc. ("First Generation" or "FGC"), a company affiliated with the Chairman of the Board of Directors of Acerus, to amend and restate the $5,000 subordinated secured term loan facility previously entered into on July 19, 2019 between Acerus and First Generation to (i) increase the borrowed amount to $11,500, (ii) extend the maturity date to June 30, 2021 and (iii) cap the total amount of interest payable to First Generation under the amended loan (including interest paid from the closing of the original $5,000 subordinated secured term loan facility) to an amount equal to 9.99% of the market capitalization of Acerus at the time of closing.

On February 12, 2020, the Company announced that it had entered into an agreement with SWK in respect of an amendment to the New Facility (the "February 2020 SWK Amendment"). The amendment to the New Facility would, among other things, (i) set the minimum threshold for consolidated unencumbered liquid assets required to be maintained by the Company at $1,500; (ii) reset the revenue and EBITDA covenants to better reflect the nature of the Company's business at this time compared to the time the New Facility was entered into; (iii) require pre-payment of $750 of principal in three instalments during 2020 and a commensurate reduction in the amount used to calculate exit fees; (iv) delay the date on which the Company must begin repaying principal from Q1-2021 to Q2-2021; and (v) provide flexibility to the Company to dispose of non-core assets and retain some of the proceeds of such dispositions for working capital.

As consideration for and in connection with the February 2020 SWK Amendment, the Company paid SWK an amendment fee of $80 and amended the exercise price of the 6,693,107 outstanding SWK Original Warrants and New Warrants, which expire on September 30, 2024, from CDN$0.11 to CDN$0.053269. The Company also made a prepayment of $250 of principal to SWK. This prepayment was the first of the three installments to be made in fiscal 2020.

The Company was in compliance with the covenants set out in the New Facility agreement as at March 31, 2020.

As at March 31, 2020, the Company had $8,750 outstanding on the credit facility.

First Generation Loan

On July 18, 2019, the Company entered into a $5,000 subordinated secured term loan facility ("the Loan") with First Generation.

The Loan was subordinated to the existing $9,000 facility with SWK and bore interest at a rate per annum equal to the three-month LIBOR, plus an applicable margin of 10.50%. Subject to the terms of the subordination and intercreditor agreement between First Generation and SWK, the Loan is repayable in full on December 31, 2020, is interest-only until maturity with regularly scheduled payments of interest to First Generation being permitted subject to certain conditions related to Acerus' market capitalization and aggregate annual revenue, and can be prepaid in full or in part without penalty following repayment in full of indebtedness owing to SWK.

On December 18, 2019, the Company announced that it had amended the Loan to (i) increase the borrowed amount to $11,500 ("the A&R Loan"), (ii) extend the maturity date to June 30, 2021 and (iii) cap the total amount of interest payable to First Generation under the A&R Loan (including interest paid from the closing of the original $5,000 subordinated secured term loan facility) to an amount equal to CDN$1,696.

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

10. LONG-TERM DEBT (continued)

First Generation Loan (continued)

On February 12, 2020 the Company announced that it had entered into an agreement with First Generation in respect of an equity financing and debt-to-equity conversion by First Generation. The agreement included the conversion of the Company's outstanding $11,500 (plus accrued interest of $526) owing to First Generation under the A&R Loan into approximately 300,081,885 Acerus common shares at a conversion price of CDN$0.053269 per Acerus common share (the "Debt Conversion"). The Debt Conversion is presented net of financing costs of $94.

As at March 31, 2020, the Company had $nil outstanding on the credit facility.

Interest and financing costs

Interest expense on long-term debt was $497 for the three months ended March 31, 2020 ($552 for the three months ended March 31, 2019).

Accrued interest & financing costs		
Balance, January 1, 2019	$	317
Interest and financing fees		2,532
Transaction costs		(15)
Amortization of deferred financing fees		(353)
Accretion of Buyout payable		(485)
Interest and financing fees paid		(1,157)
Interest and financing fees paid related to 2018 accruals		(317)
SWK warrant modification and issuance		(79)
Effect of foreign currency exchange difference		14
Balance, December 31, 2019	$	457
Balance, January 1, 2020	$	457
Interest and financing fees		846
Transaction costs		88
Amortization of deferred financing fees		(62)
Accretion of Buyout payable		(12)
Warrant modification		(43)
Gain on debt modification		(7)
Interest and financing fees paid		(314)
Interest and financing fees paid related to 2019 accruals		(144)
Interest accrued converted into common shares		(526)
Balance, March 31, 2020	$	283

11. SHARE CAPITAL AND WARRANTS

Shares Issued and Outstanding

	Number of Common shares	Number of Warrants	Common shares	Warrants	Total
Balance as at January 1, 2019	235,384,262	-	$ 154,737	$ 1,420	$ 156,157
Issuance of shares, March 2019	23,230,772	23,584,624	3,350	-	3,350
Exercise of options	2,610,256	-	315	-	315
Balance as at December 31, 2019	261,225,290	23,584,624	$ 158,402	$ 1,420	$ 159,822
Balance as at January 1, 2019	261,225,290	23,584,624	$ 158,402	$ 1,420	$ 159,822
Private placement, February 2020	449,148,891	-	17,799	-	17,799
Debt conversion, February 2020	300,081,885	-	11,932	-	11,932
Balance as at March 31, 2020	1,010,456,066	23,584,624	$ 188,133	$ 1,420	$ 189,553

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

11. SHARE CAPITAL AND WARRANTS (continued)

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

On March 29, 2019 the Company closed a non-brokered private placement of 23,230,772 common shares to certain directors and officers at a price of CDN$0.195 per common share for gross proceeds of CDN$4,530.

On February 12, 2020 the Company announced that it had entered into an agreement with First Generation in respect of an equity financing and debt-to-equity conversion by First Generation. A private placement to First Generation of 449,148,891 Acerus common shares at an offering price of CDN$0.053269 per FGC common share, being a 25% discount to the five day volume weighted average price of the FGC common shares on the TSX as at January 31, 2020, for aggregate gross proceeds to the Company of $18,000 (the "FGC Private Placement"). The FGC private placement is presented net of $201 of financing costs. The agreement also included the conversion of the Company's outstanding $11,500 (plus accrued interest of $526) owing to First Generation under the A&R Loan into approximately 300,081,885 Acerus common shares at a conversion price of CDN$0.053269 per Acerus common share. The Debt Conversion is presented net of financing costs of $94.

In addition to the warrants in the table above, there are 9,727,921 (9,727,921 as at December 31, 2019) warrants issued that have been classified as a derivative financial instrument and classified under long-term liabilities.

12. NATURE OF EXPENSES

	For the three months ended March 31, 2020			
	Cost of goods sold	R&D	SG&A	Total
Cost of finished goods	$ 17	$ -	$ -	$ 17
Salaries and benefits	-	107	687	794
Amortization of intangible assets	142	37	-	179
Depreciation of property and equipment	34	11	19	64
Depreciation of right of use asset	-	-	12	12
Share-based compensation	-	10	35	45
Research & development	-	457	-	457
Selling and marketing	-	-	2,082	2,082
General and administrative	-	-	742	742
Other	8	-	-	8
	$ 201	$ 622	$ 3,577	$ 4,400

	For the three months ended March 31, 2019			
	Cost of goods sold	R&D	SG&A	Total
Cost of finished goods	$ 268	$ -	$ -	$ 268
Salaries and benefits	-	200	626	826
Amortization of intangible assets	252	37	-	289
Depreciation of property and equipment	34	12	18	64
Depreciation of right of use asset	-	-	12	12
Share-based compensation	-	11	69	80
Research & development	-	778	-	778
Selling and marketing	-	-	409	409
General and administrative	-	-	633	633
Impairment of intangible asset	-	-	2,471	2,471
Other	78	-	-	78
	$ 632	$ 1,038	$ 4,238	$ 5,908

13. 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 March 31,	
	2020	2019
Numerator for basic and diluted loss per share available to common shareholders	$ (4,663)	$ (4,431)
Denominator for basic and diluted loss per share	656,423,941	235,900,501
Basic and diluted loss per share	$ (0.01)	$ (0.02)

For the three months ended March 31, 2020 and 2019, 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.

		Weighted Average Shares	
	Total issued	Basic	Diluted
Balance, January 1, 2019	235,384,262	235,384,262	235,384,262
Private Placement, March 2019	23,230,772	516,239	516,239
Balance, March 31, 2019	258,615,034	235,900,501	235,900,501
Balance, January 1, 2020	261,225,290	261,225,290	261,225,290
Private Placement, February 2020	449,148,891	236,913,701	236,913,701
Debt conversion, February 2020	300,081,885	158,284,950	158,284,950
Balance, March 31, 2020	1,010,456,066	656,423,941	656,423,941

14. 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 (101,045,606 options available as at March 31, 2020). 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 common share.

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

14. SHARE BASED COMPENSATION (continued)

The following table presents the Black-Scholes variables used to calculate the fair value of the options granted in fiscal 2020 and 2019:

						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 06, 2019	1,050,000	Directors & employee	$0.13	5	1-3	1.8%	86.4%	nil	$0.09
Aug 08, 2019	1,965,686	Employees	$0.13	5	3	1.5%	86.9%	nil	$0.08
Mar 30, 2020	11,575,860	Directors	$0.0452	5	1	0.6%	91.6%	nil	$0.03
Mar 30, 2020	37,706,216	Employees	$0.0452	5	3	0.6%	91.6%	nil	$0.03
Mar 30, 2020	1,481,710	Consultant	$0.0452	3	1	0.5%	87.7%	nil	$0.02

A forfeiture rate of 3% was used to estimate option expenses during the period. The Company recognized total share-based compensation expense of $45 and $80 for the three months ended March 31, 2020 and 2019.

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

	March 31,			
	2020		2019	
	Number	Weighted average exercise price (CDN)	Number	Weighted average exercise price (CDN)
Balance at January 1	12,866,992	$ 0.17	17,763,346	$ 0.18
Granted	50,763,786	0.05	1,050,000	0.13
Forfeited	(2,305,888)	0.13	-	-
Expired	(385,000)	0.75	(435,000)	0.82
Balance at March 31	60,939,890	$ 0.06	18,378,346	$ 0.16
Options exercisable at March 31	7,170,663	$ 0.16	13,650,180	$ 0.15

	Canadian Dollar Options outstanding as at March 31, 2020		
Exercise prices	Number outstanding	Weighted average remaining life in years	Number excercisable
$0.0452 to $0.10	51,880,453	4.9	1,116,667
$0.11 to $0.17	6,489,347	3.1	4,308,998
$0.21 to $0.36	2,570,090	2.8	1,744,998
	60,939,890	4.6	7,170,663

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

15. 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 months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Short-term compensation of key management and directors	$ 376	$ 179
Share-based compensation	37	70
Interest expense	212	-
	$ 625	$ 249

These transactions are in the normal course of operations.

Executive employment agreements allow for total additional payments of approximately $1,030 if a change in control occurs, $988 if all are terminated without cause and $nil if all are terminated with cause.

As at March 31, 2020, Acerus had a $7,550 receivable ($6,230 receivable as at December 31, 2019) from its wholly owned subsidiary ABI. The receivable is non-interest bearing, due on demand and eliminates upon consolidation (except for the foreign exchange loss of $35 for the three months ended March 31, 2019). There was no foreign exchange gain or loss in the three months ended March 31, 2020 due to a change in functional currency as discussed in note 3.

See note 10 and 11 for the details on an equity financing and debt-to-equity conversion by First Generation, a company affiliated with the Chairman of the Board of Directors of Acerus.

16. LITIGATION

Schenk 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 was named as one of the defendants in the main action, but the action was discontinued 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. The parties have concluded examinations for discovery and attended a pre-trial conference in February 2020. The trial was scheduled to commence in April 2020 and was anticipated to be two weeks long. However, in an effort to reduce the transmission of COVID-19, the Ontario Superior Court suspended all regular operations in March 2020. Accordingly, the trial was adjourned to a later date. A new trial date has not yet been set. As at March 31, 2020, the Company has not accrued for any potential claims.

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.

17. 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 are 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, calculations of estimated fair value are based on market conditions at a specific point in time and therefore may not be reflective of future fair values.

As at March 31, 2020 and December 31, 2019, the Company's financial instruments consisted of cash, trade and other receivables; contract assets; accounts payable and accrued liabilities; long-term debt; and derivative financial instruments. Cash, trade and other receivables, contract assets and accounts payable and accrued liabilities are measured at amortized cost and their fair values approximate carrying values due to their short-term nature. The derivative financial instruments are measured at fair value with any changes recognized through the condensed interim consolidated statements 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. As at March 31, 2020, the fair value of the long-term debt approximates its face value of $8,750.

18. SEGMENT REPORTING

The Chief Executive Officer and Chief Financial Officer are the Company's chief operating decision-makers ("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.

As at March 31, 2020, the Company had inventory in Canada, Germany and the United Kingdom in the amounts of $25, $1,567 and $144 respectively ($29 and $1,465 respectively in Canada and Germany as at December 31, 2019). As at March 31, 2020, the Company has total long-term assets in Canada and Germany in the amounts of $5,415 and $535 respectively ($5,635 and $570 respectively in Canada and Germany as at December 31, 2019). The remaining current assets and liabilities are held in Canada.

For the three months ended March 31, 2020 the Company had revenues of $40 and $105 from customers located in Canada and the U.S., respectively ($1,204, $942 and $19 from customers in Canada, the U.S. and rest of world, respectively, for the three months ended March 31, 2019).

19. SUBSEQUENT EVENTS

avanafil (formerly identified as Stendra®)

On April 15, 2020, the Company received an NOD for its avanafil NDS. Health Canada has requested the provision of additional quality information related to the avanafil drug substance in alignment with International Council for Harmonization (ICH) technical guidance adopted by Health Canada. Until this information is provided to Health Canada, the avanafil review process has been halted. Acerus has 90 calendar days to respond fully to the NOD. If Acerus is successful in providing the required information, the NDS review process will restart and may take up to 360 days to complete.