Aeterna Zentaris Inc.
Form SUPPL
March 06, 2015
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File No. 333-194080

This prospectus supplement, together with the accompanying short form base shelf prospectus dated March 13, 2014 to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus, constitutes a public offering of these securities only in those jurisdictions where such securities may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offense to claim otherwise.

Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus dated March 13, 2014 from documents filed with the United States Securities and Exchange Commission and 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 Aeterna Zentaris Inc. at 1405 du Parc-Technologique Boulevard, Quebec City, Quebec, Canada, G1P 4P5, tel. (418) 652-8525 and are also available electronically at www.sec.gov/edgar.shtml or www.sedar.com.*

New Issue

PROSPECTUS SUPPLEMENT NO. 1

(TO SHORT FORM BASE SHELF PROSPECTUS DATED MARCH 13, 2014)

US$37,000,000

Units Consisting of either One Common Share or One Series C Warrant to Purchase One Common Share, 0.75 of a Series A Warrant to Purchase One Common Share and 0.50 of a Series B Warrant to Purchase One Common Share

US$0.62 per Unit

Aeterna Zentaris Inc. (we , us or the Company) is hereby offering 59,677,420 units (the Units) at a price of US$0.62 per Unit, with each Unit being comprised of one common share of our capital (the Common Shares), 0.75 of a Series A warrant to purchase one Common Share (each whole Series A warrant, a Series A Warrant) and 0.50 of a Series B warrant to purchase one Common Share (each whole Series B warrant, a Series B Warrant ; the Series A Warrants and Series B Warrants being collectively referred to as the Series A and Series B Warrants), pursuant to this prospectus supplement and the accompanying short form base shelf prospectus dated March 13, 2014. The Series A Warrants will have an exercise price of $0.81 per share, subject to adjustment. They will be exercisable immediately and will expire five years after their date of issuance. The Series B Warrants will have an exercise price of $0.81 per share, subject to adjustment. They will be exercisable immediately and will expire eighteen months after their date of issuance.

We are also offering to those purchasers, whose purchase of Units in this offering would result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than the initial beneficial ownership limitation following the consummation of this offering, the opportunity to purchase, in lieu of Common Shares forming part of the Units that would result in ownership in excess of the initial beneficial ownership limitation, one Series C pre-funded warrant to purchase one Common Share (the Series C Warrants and, together with the Series A and Series B Warrants, the Warrants). Despite having an exercise price of $0.62 per share, the exercise price will be pre-paid in its entirety upon issuance of the Series C Warrants in lieu of Common Shares and, consequently, no additional consideration will be required to be paid and no additional payment will be required to be made to the Company by the holder upon exercise.

The Units will not be certificated and the Common Shares, the Series C Warrants and the Series A and Series B Warrants will be issued separately but will be purchased together in this offering. This offering of Units is being conducted pursuant to the Company s effective shelf registration statement on Form F-10 dated March 13, 2014, its corresponding Canadian base shelf prospectus dated March 13, 2014 and an exemption from the *Autorité des marchés financiers* permitting the Company to offer common shares and warrants in the United States (U.S.). See Exemptive Relief Granted by the *Autorité des marchés financiers* on page S-53 of this prospectus supplement. The distribution of the Warrants and the Common Shares issuable upon the exercise of the Warrants is qualified and registered by this prospectus supplement and the accompanying prospectus. The Units will be issued and sold pursuant to an underwriting agreement dated March 6, 2015 among the Company, as issuer, and Canaccord Genuity Inc. Maxim Group LLC, H.C. Wainwright & Co., LLC and Roth Capital Partners, LLC, as underwriters.

Unless otherwise stated, currency amounts in this prospectus supplement are stated in United States dollars, or $ or US$.

Our Common Shares are listed on the NASDAQ Capital Market (NASDAQ) under the symbol AEZS and on the Toronto Stock Exchange (TSX) under the symbol AEZ . On March 5, 2015, the last reported sales price of our Common Shares on NASDAQ was $0.79 per share and on TSX was C$1.01 per share.

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Investing in our Common Shares and Warrants involves a high degree of risk. There is no established public trading market for the Warrants, we do not expect a market to develop, and purchasers may not be able to resell Warrants purchased under this prospectus supplement and the accompanying prospectus. In addition, we do not intend to apply for listing of the Warrants on any national securities exchange or other nationally recognized trading system. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See Risk Factors beginning on page S-12 of this prospectus supplement and the risk factors described in the documents incorporated by reference herein for information that should be considered before investing in our Common Shares and Warrants.

	Per Unit	Total
Public offering price[1]	$ 0.620	$ 37,000,000
Underwriting discounts and commissions[2]	$ 0.032	$ 1,909,677
Proceeds, before expenses, to us	$ 0.588	$ 35,090,323

(1) The proceeds shown exclude proceeds that we may receive upon exercise of the Series A and Series B Warrants and include the pre-payment in full of the exercise price of the pre-funded Series C Warrants issued to purchasers who elect to receive Series C Warrants in lieu of Common Shares.

(2) We have agreed to reimburse the underwriters for certain out-of-pocket expenses incurred by them in connection with this offering. See Underwriting beginning on page S-42 for additional information on these arrangements.

Delivery of the Units, comprised of Common Shares or Series C Warrants, as the case may be, and Series A and Series B Warrants, is expected to be made on or about March 11, 2015.

The underwriters, as principals, are conditionally offering the Units, subject to prior sale, when, as and if issued and accepted by them in accordance with the terms and conditions in the underwriting agreement referred to under Underwriting , and subject to the approval of legal matters by their counsel, including other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed to purchase, severally and not jointly, all of the Units sold under the underwriting agreement if any of these Units are purchased. The offering price of the Units sold under the underwriting agreement and the exercise price for the Series A and Series B Warrants was determined by negotiation among us and the underwriters with reference to the prevailing market price of the Common Shares. **After the initial offering of Units pursuant to this prospectus supplement, the public offering price, concession or any other term of the offering may be changed upon public notice of such change. See Underwriting beginning on page S-42 of this prospectus supplement.**

We are a foreign private issuer under the securities laws of the U.S. and are permitted, under a multi-jurisdictional disclosure system (MJDS) adopted in the U.S. and Canada, to prepare this prospectus supplement and the accompanying prospectus in accordance with Canadian regulatory disclosure requirements. You should be aware that such requirements are different from those in the U.S. The financial statements included in or incorporated by reference into this prospectus supplement and the accompanying prospectus have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and thus may not be comparable to financial statements of U.S. companies. 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.

The Units offered hereby are not being offered for sale to the public in Canada under this prospectus supplement. See Exemptive Relief Granted by the Autorité des Marchés Financiers on page S-53 of this prospectus supplement and Underwriting beginning on page S-42 of this prospectus supplement. The acquisition of the securities described herein may subject you to tax consequences both in the U.S. and Canada. See Certain Income Tax Considerations beginning on page S-45 of this prospectus supplement. This prospectus supplement and the accompanying prospectus may not describe these tax consequences fully. You should read the tax discussion in this prospectus supplement and the accompanying prospectus fully and consult with your own tax advisors.

The enforcement of civil liabilities under U.S. federal securities laws may be adversely affected by the fact that we are incorporated under the laws of Canada, many of our officers and directors and some of the experts named in this prospectus supplement and the accompanying 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 of the U.S.

Certain of our directors reside outside of Canada. Such directors, namely David A. Dodd, Juergen Ernst and Carolyn Egbert, have each appointed Norton Rose Fulbright Canada LLP, at 1 Place Ville Marie, Suite 2500, Montreal, Quebec, Canada, H3B 1R1, as their agent

for service of process in Canada.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OF THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Our registered address and head office is located at 1405 du Parc-Technologique Boulevard, Quebec City, Quebec, Canada, G1P 4P5, and our telephone number is (418) 652-8525.

Sole Book-Running Manager

Canaccord Genuity

Co-Managers

Maxim Group LLC **H.C. Wainwright & Co.** **Roth Capital Partners**

The date of this prospectus supplement is March 6, 2015.

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This prospectus supplement is not an offer to sell or a solicitation of an offer to buy securities in any jurisdiction in which such offer or solicitation is illegal.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of Units, which are comprised of Common Shares and Warrants, and supplements information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information about us and the securities we may offer from time to time under our base shelf prospectus and our shelf registration statement.

We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any related free writing prospectus that we may authorize to be provided to you. You should not rely upon any information or representation not contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus that we may authorize to be provided to you. If information in this prospectus supplement is inconsistent with the accompanying prospectus or the information incorporated by reference, you should rely on this prospectus supplement. This prospectus supplement, the accompanying prospectus and any related free writing prospectus that we may authorize to be provided to you do not constitute an offer to sell or the solicitation of an offer to buy Units, in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and any related free writing prospectus that we may authorize to be provided to you is accurate on any date other than the date set forth on the front cover of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference regardless of the date of delivery of this prospectus supplement, the accompanying prospectus and any related free writing prospectus that we may authorize to be provided to you or any sale of Units. Our business, financial condition, results of operations and prospects may have changed since those dates.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference into this prospectus supplement and the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

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The financial statements included in or incorporated by reference into this prospectus supplement and the accompanying prospectus have been prepared in accordance with IFRS as issued by the IASB. 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 SEC independence standards.

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

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, as well as the exchange rate at the end of such period, in each case, based upon the noon rates as quoted by the Bank of Canada:

	Year to date	Month ended	Year ended December 31,		
	2015[1]	February 28, 2015	2014	2013	2012
High	1.2717	1.2635	1.1643	1.0697	1.0418
Low	1.1728	1.2403	1.0614	0.9839	0.9710
Rate at end of period	1.2482	1.2508	1.1601	1.0636	0.9949
Average rate per period	1.2314	1.2500	1.1045	1.0299	0.9996

(1) Up to and including March 5, 2015.

On March 5, 2015, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon rate of the Bank of Canada was C$1.2482.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference contain forward-looking statements concerning the business, operations, financial performance and condition of the Company. When used in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference, words such as may , will , should , could , expects , plans anticipates , intends , believes , estimates , predicts , potential or continue or the negative of these terms and similar expressions are intend 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;

we will 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;

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we may not be able to realize any profit from our commercial operation;

we may not be able to acquire, in-license or otherwise obtain the right to sell other products;

we may breach or fail to maintain a necessary license agreement;

the impact of the stringent ongoing government regulation to which our product candidates are subject;

the impact of restrictions on, or withdrawals of, any product approvals and changes in regulatory requirements;

the impact of healthcare fraud and abuse laws on our ability to market products;

we may not be able to generate significant revenues if our products do not gain market acceptance;

we are pursuing later-stage clinical development projects because we lack the resources to pursue earlier-stage projects, which could have a greater likelihood of success or greater commercial potential;

the 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;

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

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

fluctuations in our revenues and expenses may disappoint securities analysts and investors, causing the price of our securities to decline;

current and future collaborations for the research and development (R&D) of our product candidates may not provide the benefits we expect;

we may not be able to obtain the ingredients or raw materials that require at acceptable prices or at all;

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;

we use hazardous materials and are subject to environmental and occupational safety laws;

the impact of securities class action litigation or other litigation on our cash flow, results of operations and financial position;

risks relating to product liability and other claims;

risks relating to our holding company structure;

it may be difficult for U.S. investors to obtain and enforce judgments against us;

the impact of healthcare reform measures on the commercial success of our product candidates and on our business prospects or future financial condition;

we may not be able to maintain effective internal controls;

we may be a passive foreign investment company, which could result in adverse tax consequences for U.S. investors;

fluctuations in currency exchange rates;

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

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security breaches may disrupt our operations and adversely affect our operating results;

the possibility that our Common Shares may be delisted from the stock exchanges on which they currently trade;

our share price is volatile;

we do not intend to pay dividends;

future issuances of securities and hedging activities may depress the price of our securities;

we are permitted to issue blank check preferred shares; and

our business could be negatively affected as a result of the actions of activist shareholders.

More detailed information about these and other factors is included under Risk Factors in this prospectus supplement and the accompanying prospectus as well as in other documents incorporated herein by reference. 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. The Company 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.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. The summary may not contain all of the information that you should consider before investing in our Common Shares and Warrants. You should read this entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors contained in this prospectus supplement and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. This prospectus supplement may add to, update or change information in the accompanying prospectus.

Our Business

We are a specialty biopharmaceutical company engaged in developing and commercializing novel treatments in oncology, endocrinology and women s health. Our drug development efforts are focused currently on two compounds, zoptarelin doxorubicin and Macrilen , which are in clinical development, and on two oncology compounds (our Erk inhibitors and LHRH-disorazol Z product candidates), which are in pre-clinical development. Our commercial efforts are focused currently on co-promoting a women s health product.

We have an ongoing Phase 3 trial (ZoptEC) in endometrial cancer under a Special Protocol Assessment (SPA) with the U.S. Food and Drug Administration (the FDA) with zoptarelin doxorubicin, a doxorubicin Luteinizing Hormone-Releasing Hormone (LHRH) targeted conjugate compound for which we have successfully completed a Phase 2 trial in advanced endometrial and advanced ovarian cancer. ZoptEC is an open-label, randomized, multicenter trial that is being conducted in North America, Europe and Israel. The trial compares zoptarelin doxorubicin with doxorubicin as second line therapy and will involve approximately 500 patients. We expect to receive the first interim results of ZoptEC during the first half of 2015.

In November 2013, we filed a New Drug Application (NDA) with the FDA in the U.S. for the registration of Macrilen , our orally available peptidomimetic ghrelin receptor agonist with growth hormone secretagogue activity, in the United States. If approved, Macrilen would be the first orally administered drug indicated for the evaluation of adult growth hormone deficiency (AGHD) by evaluating the pituitary gland secretion of growth hormone in response to an oral dose of the product.

On November 6, 2014, the FDA informed us, by issuing a Complete Response Letter (CRL), that it had determined that our NDA could not be approved in its form as submitted. The CRL stated that the planned analysis of our pivotal trial did not meet its stated primary efficacy objective as agreed to in the SPA agreement between the Company and the FDA, and that we will need to demonstrate the efficacy of macimorelin as a diagnostic test for growth hormone deficiency in a new, confirmatory clinical study. The CRL also stated that a serious event of electrocardiogram QT interval prolongation occurred for which attribution to drug could not be excluded. Therefore, a dedicated thorough QT study to evaluate the effect of macimorelin on the QT interval would be necessary.

We intend to make a decision regarding the future development of Macrilen in the near term, taking into account various considerations, including our prior and upcoming discussions with the FDA.

Our commercial operations consist of a full-time sales force and a sales-management staff. We currently have 19 sales representatives in the United States who provide services for us pursuant to our agreement with a contract-sales organization. Our sales force is managed by our Senior Vice President, Commercial, a national sales director and two regional sales directors.

During the fourth quarter of 2014, our full-time contract sales force of 19 sales representatives started the field selling in the US of EstroGel®, pursuant to our co-promotion services agreement with ASCEND Therapeutics US LLC (ASCEND) entered into in August 2014. The co-promotion agreement provides that we or one of our subsidiaries will detail and market ASCEND s leading non-patch transdermal hormone replacement therapy product, available under the name EstroGel®, in specific agreed-upon US territories, in exchange for a sales commission, which will be payable to us based upon incremental EstroGel® sales volumes that are generated over certain pre-established thresholds. We are also currently evaluating various other opportunities for the co-promotion, sales and marketing rights, and/or acquisition of in-licensing of products that are either already marketed and sold or have received all regulatory approvals in established territories.

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Our Strategy

Our business strategy is to pursue the development of two compounds, zoptarelin doxorubicin and Macrilen , which are in clinical development, and two oncology compounds, an Erk inhibitor (AEZS-134) and LHRH-disorazol Z (AEZS-138), which are in pre-clinical development, and to commercialize oncology, endocrinology and women s health products that we may acquire, in-license or promote. We made the decision to focus our efforts on the development of these compounds following a review of our portfolio, during which we concluded that we lack the resources to pursue other earlier-stage opportunities. As a result of this decision, we discontinued drug discovery efforts, including basic research activities in medicinal chemistry and biology and our high-throughput-screening operations, which resulted in a reduction of our research and development staff by approximately 29 personnel. During 2015, we will attempt to out-license or to sell the compounds that we are no longer pursuing for commercial development and we will attempt and seek to acquire, in-license or promote additional oncology, endocrinology and women s health products. Our vision is to become a growth-oriented specialty biopharmaceutical company.

Recent Developments

In connection with the offering of Units under this prospectus supplement, the holders of approximately 96.5% of the outstanding warrants issued by us in previous public offerings of units in November 2013 and January 2014 (collectively, the Amended Warrants) had, as of the date of this prospectus supplement, each entered into an amendment agreement (collectively, the Warrant Amendment Agreements), the effectiveness of which are conditional upon the Company having completed a public offering of securities of a minimum size and within a certain time-frame (a Qualified Public Offering). The principal effect of the Warrant Amendment Agreements would be to cause such warrants to expire and terminate concurrently with the closing of such a Qualified Public Offering, in consideration for the Company making to the holders of such warrants a cash payment in the aggregate amount of $5.7 million to be distributed among the holders of the Amended Warrants on a *pro rata* basis relative to the number of Common Shares underlying the Amended Warrants, provided such warrants will not have been exercised. As the offering of Units under this prospectus supplement would constitute a Qualified Public Offering, upon closing of this offering, the Company anticipates paying the holders of the Amended Warrants an aggregate of $5.7 million out of the proceeds of this offering and the Amended Warrants will thereupon expire and terminate. As not all of the holders of the warrants issued by us in November 2013 and January 2014 had signed a Warrant Amendment Agreement as of the date of this prospectus supplement, following the completion of this offering, of the warrants originally issued by us in November 2013 and January 2014, there will remain warrants outstanding to acquire an aggregate of approximately 0.8 million Common Shares, the exercise price of which is anticipated to be adjusted to $0.14 per share immediately following the completion of this offering.

On December 1, 2014, we announced that we had entered into a Master Collaboration Agreement and related License and Technology Transfer and Technical Assistance Agreements with Sinopharm A-Think Pharmaceuticals Co., Ltd. (Sinopharm A-Think) for zoptarelin doxorubicin in the initial indication of endometrial cancer, for the Chinese, Hong Kong and Macau markets (the Sinopharm Territory). In accordance the terms of the Master Collaboration Agreement, we received a non-refundable US$1 million fee for the transfer of our technology for zoptarelin doxorubicin to Sinopharm A-Think. Sinopharm A-Think has also agreed to make additional payments to us upon achieving certain pre-established regulatory and commercial milestones. Furthermore, we will receive royalties on future net sales of zoptarelin doxorubicin in the Sinopharm Territory. Sinopharm A-Think will be responsible for the development, production, registration and commercialization of the product in the Sinopharm Territory.

Corporate Information

Aeterna Zentaris Inc. was incorporated on September 12, 1990 under the laws of Canada. Our registered address and head office is located at 1405 du Parc-Technologique Boulevard, 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 supplement or the accompanying prospectus, unless such document is specifically incorporated herein or therein 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., an entity incorporated in the State of Delaware based in Charleston, South Carolina in the U.S.

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THE OFFERING

Issuer:	Aeterna Zentaris Inc.
Units offered by us:	We are offering 59,677,420 Units. Each Unit is comprised of one Common Share, 0.75 of a Series A Warrant to purchase one Common Share and 0.50 of a Series B Warrant to purchase one Common Share.

We are also offering to those purchasers, whose purchase of Units in this offering would result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than the initial beneficial ownership limitation, the opportunity to purchase, in lieu of Common Shares forming part of the Units that would result in ownership in excess of the initial beneficial ownership limitation, one pre-funded Series C Warrant to purchase one Common Share.

Price per Unit:	$0.62
Common Shares outstanding before this offering:	65,509,077 Common Shares (63,909,994 as of September 30, 2014).
Common Shares to be outstanding immediately after this offering:	90,557,142 Common Shares without giving effect to the exercise of any of the Warrants, 125,186,497 Common Shares without giving effect to the exercise of the Series A and Series B Warrants but assuming and after giving effect to the exercise of the Series C Warrants, and 199,783,272 Common Shares assuming and after giving effect to the exercise of all Warrants offered under this prospectus supplement.
Warrants we are offering:	Each Unit will include 0.75 of a Series A Warrant to purchase one Common Share and 0.50 of a Series B Warrant to purchase one Common Share. Series A Warrants to purchase an aggregate of up to 44,758,065 Common Shares will be issued in this offering. Series B Warrants to purchase an aggregate of up to 29,838,710 Common Shares will be issued in this offering. The Series A Warrants will be exercisable immediately and will expire five years after their date of issuance. They will have an exercise price of $0.81 per Common Share, subject to adjustment. The Series B Warrants will be exercisable immediately and will expire eighteen months after their date of issuance. They will have an exercise price of $0.81 per Common Share, subject to adjustment. The Series C Warrants will be exercisable immediately and will expire five years after their date of issuance. They will have an exercise price of $0.62 per Common Share, which is the same price at which the Units are being offered and sold. The Series C Warrants do not include any price-based anti-dilution or other adjustment mechanism, other than customary adjustment provisions in the event of share splits, stock dividends and distributions, share recapitalizations, pro rata distributions of securities and purchase rights and other similar events. Despite having an exercise price of $0.62 per share, the

exercise price will be pre-paid in its entirety upon issuance of the Series C Warrants in lieu of Common Shares and, consequently, no additional consideration will be required to be paid and no additional payment will be required to be made to the Company by the holder upon exercise.

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	This prospectus supplement also relates to the offering of the Common Shares issuable upon exercise of the Warrants. There is no established public trading market for the Warrants, and we do not expect a market to develop. In addition, we do not intend to apply for listing of the Warrants on any national securities exchange or other nationally recognized trading system.
Use of proceeds:	We intend to use the net proceeds from the sale of the securities under this prospectus supplement to make a $5.7 million payment to the holders of certain warrants in connection with the transaction described under Prospectus Supplement Summary Recent Developments , to continue to fund our ongoing drug development activities, for the potential addition of commercialized products to our pipeline and for general corporate purposes, working capital and to fund our negative cash flow. See Use of Proceeds on page S-35 of this prospectus supplement.
NASDAQ and TSX symbols:	NASDAQ: AEZS; TSX: AEZ
Risk factors:	An investment in our Common Shares and Warrants involves a high degree of risk. See Risk Factors beginning on page S-12 of this prospectus supplement as well as the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of factors that you should consider carefully before making an investment decision.
Additional information:	The number of our outstanding Common Shares described in this prospectus supplement excludes as of September 30, 2014:

- 7,007,410 Common Shares issuable upon exercise of warrants that we previously issued in various registered direct offerings in October 2009, April 2010, June 2010 and July 2013 and in an underwritten public offering in October 2012, having a weighted average exercise price of $3.92 per Common Share;

- approximately 21.1 million Common Shares issuable upon exercise of warrants that we previously issued in underwritten public offerings in November 2013 and January 2014, which would be amended upon closing of this offering as described under Prospectus Supplement Summary Recent Developments and that will terminate upon closing of this offering;

- approximately 0.8 million Common Shares issuable upon exercise of warrants that we previously issued in underwritten public offerings in November 2013 and January 2014, which will remain outstanding after closing of this offering having an expected weighted average exercise price of $0.14 per Common Share;

- 2,127,031 Common Shares that underlie outstanding stock options granted under our stock option plan as at September 30, 2014, having a weighted average exercise price of $2.52 per Common Share, and an additional 565,267 Common Shares that underlie outstanding stock options granted under our stock option plan as at September 30, 2014, having a weighted average exercise price of C$13.11 per Common Share; and

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an aggregate of 4,593,441 additional Common Shares available for future grants under our stock option plan, which provides that the maximum number of Common Shares issuable under the plan may equal 11.4% of the issued and outstanding Common Shares at any given time.

The number of our outstanding Common Shares described in this prospectus supplement (except for the above reference to 65,509,077 Common Shares outstanding as of the date of this prospectus supplement before this offering) also excludes since September 30, 2014:

an aggregate of approximately 1.6 million Common Shares issued under our at-the-market issuance program implemented in May 2014 at an average issuance price of $1.33 per Common Share; and

an aggregate of 1,192,902 stock options granted (net of stock options that expired or were forfeited) under our stock option plan after September 30, 2014.

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RISK FACTORS

Before making an investment decision, you should carefully consider the risks described in this prospectus supplement, together with all of the other information incorporated by reference into this prospectus supplement and the accompanying prospectus, including those described in our most recent Annual Report on Form 20-F and subsequent consolidated financial statements and corresponding management s discussion and analysis filed with the Canadian securities regulatory authorities and our Reports on Form 6-K furnished to the SEC including our unaudited condensed interim consolidated financial statements and corresponding management s discussion and analysis. The risks mentioned below are presented as of the date of this prospectus supplement and we expect that these will be updated from time to time in our various continuous disclosure documents filed with the Canadian securities regulatory authorities and our periodic and current reports filed with or furnished to the SEC, as applicable, which will be incorporated herein by reference. Please refer to these subsequent reports for additional information relating to the risks associated with investing in our Common Shares and Warrants.

Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. The trading price of our Common Shares and the value of our Warrants could decline due to any of these risks, and you may lose part or all of your investment. This prospectus supplement, the accompanying prospectus and the incorporated documents also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks mentioned below. Forward-looking statements included in this prospectus supplement are based on information available to us on the date hereof, and all forward-looking statements in documents incorporated by reference are based on information available to us as of the date of each such document. The Company 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.

Risks Relating to Us and Our Business

Investments in biopharmaceutical companies are generally considered to be speculative.

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

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 operating losses historically and, as disclosed in our unaudited condensed interim consolidated financial statements as at September 30, 2014 and for the three-month and nine-month periods ended September 30, 2014 and 2013, we had a deficit of approximately $227.8 million as at September 30, 2014. Our operating losses have adversely impacted, and will continue to adversely impact, our working capital, total assets and shareholders equity (deficiency). We do not expect to reach operating profitability in the immediate future, and our operating expenses are likely to continue to represent a significant component of our overall cost profile as we continue our R&D and clinical study programs, seek regulatory approval for our product candidates and carry out commercial activities. Even if we succeed in developing, acquiring or in-licensing new commercial products, we could incur additional operating losses for at least the next several years. If we do not ultimately generate sufficient revenue to achieve profitability, an investment in our Common Shares and Warrants 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 Common Shares.

We will only receive regulatory approval for a product candidate if we can demonstrate in carefully designed and conducted clinical trials, including ZoptEC, which is expected to produce interim results in the first half of 2015, 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

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products or an extension of the review period for developmental products. Preclinical testing and clinical development 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 preclinical testing and early clinical studies, or trials, may not be indicative of results that are obtained in later studies. 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 contract research organization (a CRO) with experience in conducting regulatory trials, errors in the conduct, monitoring and/or auditing could invalidate the results from a regulatory perspective.

None of our current product candidates have to date received regulatory approval for their intended commercial sale. We cannot market a pharmaceutical product in any jurisdiction until it has completed rigorous preclinical testing and clinical trials and passed such jurisdiction s extensive regulatory approval process. In general, significant R&D and clinical studies are required to demonstrate the safety and efficacy of our product candidates before we can submit regulatory applications. Even if a product candidate is approved by the FDA, the Canadian Therapeutic Products Directorate (CTPD) or any other regulatory authority, we may not obtain approval for an indication whose market is large enough to recover 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.

We are currently developing our product candidates based on R&D activities, preclinical testing and clinical trials conducted to date, and we may not be successful in developing or introducing to the market these or any other new products or technology. If we fail to develop and deploy new products successfully and on a timely basis, we may become non-competitive and unable to recover the R&D and other expenses we incur to develop and test new products.

Interim results of preclinical or clinical studies do not necessarily predict their final results, and acceptable results in early studies might not be obtained in later studies. Safety signals detected during clinical studies and preclinical animal studies may require us to perform additional studies, which could delay the development of the drug or lead to a decision to discontinue development of the drug. Product candidates in the later stages of clinical development may fail to show the desired safety and efficacy traits despite positive results in initial clinical testing. Results from earlier studies may not be indicative of results from future clinical trials and the risk remains that a pivotal program may generate efficacy data that will be insufficient for the approval of the drug, or may raise safety concerns that may prevent approval of the drug. Interpretation of the prior preclinical and clinical safety and efficacy data of our product candidates may be flawed and there can be no assurance that safety and/or efficacy concerns from the prior data were overlooked or misinterpreted, which in subsequent, larger studies appear and prevent approval of such product candidates.

Furthermore, we may suffer significant setbacks in advanced clinical trials, even after promising results in earlier studies. Based on results at any stage of clinical trials, we may decide to repeat or redesign a trial or discontinue development of one or more of our product candidates. Further, actual results may vary once the final and quality-controlled verification of data and analyses has been completed. If we fail to adequately demonstrate the safety and efficacy of our products under development, we will not be able to obtain the required regulatory approvals to commercialize our product candidates.

A failure in the development of any one of our programs or product candidates could have a negative impact on the development of the others. Setbacks in any phase of the clinical development of our product candidates would have an adverse financial impact (including with respect to any agreements and partnerships that may exist between us and other entities), could jeopardize regulatory approval and would likely cause a drop in the price of our Common Shares.

If we are unable to successfully complete our clinical trial programs, or if such clinical trials take longer to complete than we project, our ability to execute our current business strategy will be adversely affected.

Whether or not and how quickly we complete clinical trials is dependent in part upon the rate at which we are able to engage clinical trial sites and, thereafter, the rate of enrollment of patients, and the rate at which we collect, clean, lock and analyze the clinical trial database. Patient enrollment is a function of many factors, including the design of the protocol, the size of the patient population, the proximity of patients to and availability of clinical sites, the eligibility

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criteria for the study, the perceived risks and benefits of the drug under study and of the control drug, if any, the efforts to facilitate timely enrollment in clinical trials, the patient referral practices of physicians, the existence of competitive clinical trials, and whether existing or new drugs are approved for the indication we are studying. Certain clinical trials are designed to continue until a pre-determined number of events have occurred to the patients enrolled. Such trials are subject to delays stemming from patient withdrawal and from lower than expected event rates and may also incur increased costs, if enrollment is increased in order to achieve the desired number of events. If we experience delays in identifying and contracting with sites and/or in patient enrollment in our clinical trial programs, we may incur additional costs and delays in our development programs, and may not be able to complete our clinical trials on a cost-effective or timely basis. In addition, conducting multi-national studies adds another level of complexity and risk as we are subject to events affecting countries outside Canada. Moreover, negative or inconclusive results from the clinical trials we conduct or adverse medical events could cause us to have to repeat or terminate the clinical trials. Accordingly, we may not be able to complete the clinical trials within an acceptable time-frame, if at all. If we or any third party have difficulty enrolling a sufficient number of patients to conduct our clinical trials as planned, we may need to delay or terminate ongoing clinical trials.

Clinical trials are subject to continuing oversight by governmental regulatory authorities and institutional review boards and must:

- meet the requirements of these authorities;
- meet the requirements for informed consent; and

6/30/2014		3.63%	3.27%	0.64%	0.49%
7/1/2014	9/30/2014	3.43%	3.06%	0.82%	0.60%
10/1/2014	12/3/2014	3.14%	2.88%	0.82%	0.58%

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SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

You should carefully consider, among other things, the matters set forth under "*United States Taxation*" in the accompanying prospectus. The following discussion summarizes for U.S. holders (as defined in the accompanying prospectus) certain U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of the notes. This summary supplements the section "*Supplemental Discussion of U.S. Federal Income Tax Consequences*" in the accompanying product prospectus supplement and the section "*United States Taxation*" in the accompanying prospectus and is subject to the limitations and exceptions set forth therein.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws.

We believe that the notes should be characterized and treated as debt instruments subject to the special rules governing contingent payment debt instruments for U.S. federal income tax purposes. A more detailed discussion of those rules is set forth in "*Supplemental Discussion of U.S. Federal Income Tax Consequences—Contingent Payment Debt Instruments*" in the accompanying product prospectus supplement.

One consequence of the application of the contingent payment debt instrument rules to your notes is that you will likely be required to include an amount of interest in income in certain periods that is less than the stated interest on your notes in such periods. This will be the case during the initial periods at which the notes bear interest at a fixed rate. Conversely, you will likely be required to include an amount of interest in income in certain periods that exceeds the interest that is due on your notes for such periods. In the aggregate, if you are an initial purchaser of the notes and you hold your notes to maturity, the total amount of income you include should equal the total amount of interest you received. It is not entirely clear how, under the rules governing contingent payment obligations, the maturity date for debt instruments (such as your notes) that provide for an early redemption right should be determined for purposes of computing the comparable yield and projected payment schedule. It would be reasonable, however, to compute the comparable yield and projected payment schedule for your notes (and we intend to make the computation in such a manner) based on the assumption that your notes will remain outstanding until the stated maturity date.

We have determined that the comparable yield for the notes is equal to 2.810% per annum, compounded semi-annually. Based on the comparable yield, if you are an initial holder that holds the notes until the stated maturity date and you pay your taxes on a calendar year basis, we have determined that you will be generally required to include the following amount of ordinary income (subject to the positive and negative adjustments described in the accompanying product prospectus supplement) for each $1,000 investment in the notes each year: $0.55 in 2014, $27.40 in 2015, $25.42 in 2016, $25.34 in 2017, $25.50 in 2018, $25.76 in 2019, $26.05 in 2020, $26.34 in 2021, $26.62 in 2022, $26.90 in 2023, $27.18 in 2024, $27.40 in 2025, $27.60 in 2026, $27.76 in 2027, $27.89 in 2028, $27.99 in 2029, $28.06 in 2030, $28.11 in 2031, $28.15 in 2032, $28.15 in 2033, $27.58 in 2034.

In addition, we have determined the projected payments for a note (based on an investment of a $1,000) are as follows:

Taxable Year	Payment on June 24 (in $)	Payment on December 24 (in $)
2015	60.00	60.00
2016	17.65	13.95
2017	11.35	9.70
2018	8.75	8.20
2019	7.95	7.80
2020	7.80	7.80
2021	7.95	8.10
2022	8.20	8.35
2023	8.50	8.75
2024	9.05	9.45
2025	9.85	10.15

2026	10.55	10.95
2027	11.25	11.65
2028	11.90	12.30
2029	12.45	12.75
2030	12.85	13.00
2031	13.30	13.40
2032	13.70	13.95
2033	14.25	14.50
2034	14.80	14.90

You are required to use the comparable yield and projected payment schedule set forth above in determining your interest accruals in respect of the notes, unless you timely disclose and justify on your U.S. federal income tax return the use of a different comparable yield and projected payment schedule. Any Form 1099-OID you receive in respect of the notes will not reflect the effects of positive or negative adjustments and therefore may overstate or understate your interest inclusions. You are urged to consult your tax advisor as to whether and how adjustments should be made to the amounts reported on any Form 1099-OID.

The comparable yield and projected payment schedule set forth above is not provided to you for any purpose other than the determination of your interest accruals in respect of the notes, and we make no representations regarding the amount of contingent payments with respect to the notes.

EMPLOYEE RETIREMENT INCOME SECURITY ACT

This section is only relevant to you if you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh Plan) proposing to invest in the notes.

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the U.S. Internal Revenue Code of 1986, as amended (the "Code"), prohibit certain transactions ("prohibited transactions") involving the assets of an employee benefit plan that is subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code (including individual retirement accounts, Keogh plans and other plans described in Section 4975(e)(1) of the Code) (a "Plan") and certain persons who are "parties in interest" (within the meaning of ERISA) or "disqualified persons" (within the meaning of the Code) with respect to the Plan; governmental plans may be subject to similar prohibitions unless an exemption applies to the transaction. The assets of a Plan may include assets held in the general account of an insurance company that are deemed "plan assets" under ERISA or assets of certain investment vehicles in which the Plan invests. Each of Nomura and certain of its affiliates may be considered a "party in interest" or a "disqualified person" with respect to many Plans, and, accordingly, prohibited transactions may arise if the notes are acquired by or on behalf of a Plan unless those notes are acquired and held pursuant to an available exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the notes. These exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), and PTCE 96-23 (for transactions managed by in-house asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of the notes, provided that neither Nomura nor any of its subsidiaries or affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more and receives no less than "adequate consideration" in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and the plan, by purchasing and holding the notes, or exercising any rights related thereto, to represent that (a) the plan will receive no less and pay no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the purchase and holding of the notes, (b) none of the purchase, holding or disposition of the notes or the exercise of any rights related to the notes will result in a nonexempt prohibited transaction under ERISA or the Code (or, with respect to a governmental plan, under any similar applicable law or regulation), and (c) neither Nomura nor any of its affiliates is a "fiduciary" (within the meaning of Section 3(21) of ERISA) (or, with respect to a governmental plan, under any similar applicable law or regulation) with respect to the purchaser or holder in connection with such person's acquisition, disposition or holding of the notes, or as a result of any exercise by Nomura or any of its affiliates of any rights in connection with the notes, and no advice provided by Nomura or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the notes and the transactions contemplated with respect to the notes.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh plan), and propose to invest in the notes, you should consult your legal counsel.

SUPPLEMENTAL PLAN OF DISTRIBUTION

We have agreed to sell to Nomura Securities International, Inc. (the "distribution agent"), and the distribution agent has agreed to purchase from us, the aggregate principal amount of the notes specified on the front cover of this pricing supplement. The distribution agent has agreed to purchase the notes from us at 96.25% of the principal amount, resulting in aggregate proceeds to us of $3,850,000. The distribution agent's commission is equal to 3.75%, or $150,000 in the aggregate. The distribution agent will offer the notes to which this pricing supplement relates to the public at the public offering price set forth on the front cover of this pricing supplement and to certain dealers at such price less a concession not in excess of 3.75% of the principal amount of the notes. If all of the notes are not sold at the original issue price, the distribution agent may change the offering price and the other selling terms. We estimate that our share of the total offering expenses, excluding underwriting discounts and commissions, will be approximately $30,000.

To the extent the distribution agent resells notes to a broker or dealer less a concession equal to the entire underwriting discount, such broker or dealer may be deemed to be an "underwriter" of the notes as such term is defined in the Securities Act of 1933, as amended.

In the future, the distribution agent may repurchase and resell the notes in market-making transactions. For more information about the plan of distribution, the distribution agreement (of which the terms agreement forms a part) and possible market-making activities, see "*Plan of Distribution*" in the accompanying prospectus.

The distribution agent is our affiliate and, as such, has a "conflict of interest" in this offering within the meaning of FINRA Rule 5121. The distribution agent is not permitted to sell notes in this offering to any account over which it exercises discretionary authority without the prior specific written approval of the account holder.

The distribution agent and/or its affiliates have performed, and in the future may provide, investment banking and advisory services for us from time to time for which they have received, and expect to receive, customary fees and commissions. The distribution agent and its affiliates may, from time to time, engage in transactions with, and perform services for, us in the ordinary course of business.

We expect delivery of the notes will be made against payment therefor on or about the original issue date specified above.