UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

(Check One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended November 30, 2011 **Commission file number 001-35203**

THERATECHNOLOGIES INC.

(Exact name of Registrant as specified in its charter)

QUEBEC
(Province or other jurisdiction of incorporation or organization)

2834
(Primary Standard Industrial Classification Code Number (if applicable))

Not applicable
(I.R.S. Employer Identification Number (if applicable))

2310 Alfred-Nobel Blvd., Montreal, Quebec, Canada, H4S 2B4
(514) 336-7800
(Address and Telephone Number of Registrant's Principal Executive Offices)

CT Corporation System, 111 8th Avenue, New York, NY 10011
(212) 894-8800
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares	**The NASDAQ Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.

For annual reports, indicate by check mark the information filed with this Form:

☐ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report: as of November 30, 2011, 60,865,266 common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☐ No ☐

EXPLANATORY NOTE

Theratechnologies Inc. ("we", "us", "our", the "Company" or the "Registrant") is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. We are a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Our equity securities are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the documents incorporated herein by reference contains forward-looking statements and forward-looking information within the meaning of applicable securities laws that are based on our management's belief and assumptions and on information currently available to our management, collectively, "forward-looking statements". In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "could", "would", "expect", "plan", "anticipate", "believe", "estimate", "project", "predict", "intend", "potential", "continue" and similar expressions intended to identify forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability, and the ability of our commercial partners, to commercialize *EGRIFTA*™ in the United States and other territories;
- whether we will receive regulatory approvals for tesamorelin from regulatory agencies in territories other than the United States in which we wish to expand the commercialization of tesamorelin, and the timing and costs of obtaining such regulatory approvals;
- our recognition of milestones, royalties and other revenues from our commercial partners related to future sales of *EGRIFTA*™;
- the continuation of our collaborations and other significant agreements with our existing commercial partners and our ability to establish and maintain additional development collaborations;
- our estimates of the size of the potential markets for *EGRIFTA*™, tesamorelin and our other product candidates;
- the rate and degree of market acceptance of *EGRIFTA*™ and our other product candidates;
- our success in obtaining, and the timing and amount of, reimbursement for *EGRIFTA*™ and our other product candidates;

- the benefits of tesamorelin and our other product candidates as compared to others;
- the success and pricing of other competing drugs or therapies that are or may become available;
- our ability to maintain and establish intellectual property rights in tesamorelin and our other product candidates;
- the manufacturing capacity of third-party manufacturers, including the manufacturer of tesamorelin in commercial quantities;
- our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity, capital expenditures and income taxes; and
- our need for additional financing and our estimates regarding our capital requirements and future revenues and profitability.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed in or implied by the forward-looking statements. Certain assumptions made in preparing the forward-looking statements include that:

- tesamorelin for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy will receive approval in territories other than the United States covered in our commercialization agreements;
- no additional clinical studies will be required to obtain said regulatory approval of tesamorelin;
- sales of *EGRIFTA*™ in the United States will increase;
- our relations with third-party suppliers of *EGRIFTA*™ will be conflict-free and that such third-party suppliers will have the capacity to manufacture and supply *EGRIFTA*™ to meet market demand and on a timely-basis;
- we will obtain positive results from our program for the development of new GRF peptides; and
- our business plan will not be substantially modified.

Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these risks and uncertainties, the forward-looking events and circumstances discussed in this annual report on Form 40-F may not occur, and you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading “Risk and Uncertainties” in the Management’s Discussion and Analysis for the year ended November 30, 2011 incorporated by reference herein. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this annual report on Form 40-F. We undertake no obligation and do not intend to update or revise these forward-looking statements, unless required by law. We qualify all of the information presented in this annual report on Form 40-F, and particularly our forward-looking statements, with these cautionary statements.

NOTE TO UNITED STATES READERS

We are permitted under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission, or the SEC, to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States.

CURRENCY

Unless specifically stated otherwise, all dollar amounts in this annual report on Form 40-F are in Canadian dollars. The exchange rate of Canadian dollars into United States dollars, based upon the closing rate of exchange on February 7, 2012 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S. $1.00 = Cdn. $0.9948.

AUDITED ANNUAL FINANCIAL STATEMENTS

Our audited consolidated financial statements for the years ended November 30, 2011 and November 30, 2010, including the report of our independent auditors with respect thereto, are filed as Exhibit 99.1 and incorporated by reference in this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our management's discussion and analysis, or MD&A, for the year ended November 30, 2011 is filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report on Form 40-F for the fiscal year ended November 30, 2011, an evaluation was carried out by our President and Chief Executive Officer, or CEO, and our Senior Executive Vice President and Chief Financial Officer, or CFO, which are our principal executive officer and principal financial officer, respectively, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting and Auditor's Attestation Report

This annual report on Form 40-F does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

During the period covered by this annual report on Form 40-F, no change occurred in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AUDIT COMMITTEE

Audit Committee

We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act and NASDAQ Rule 5605(c)2. Our audit committee is composed of Paul Pommier (Chair), Gérald Lacoste and Jean-Denis Talon, each of whom, in the opinion of our directors, is financially literate and independent as determined under National Instrument 52-110 (Audit Committees), or NI 52-110, Rule 10A-3 of the Exchange Act and NASDAQ Rule 5605(a)2.

The audit committee assists the board of directors in fulfilling its responsibilities for oversight of financial and accounting matters. In addition to recommending the auditors to be nominated and reviewing the compensation of the auditors, the audit committee is responsible for overseeing the work of the auditors and pre-approving non-audit services. The audit committee also reviews our annual and interim financial statements and news releases containing information taken from our financial statements prior to their release. The audit committee is responsible for reviewing the acceptability and quality of our financial reporting and accounting standards and principles and any proposed material changes to them or their application.

The audit committee has a published charter which is available on our website, www.theratech.com.

Audit Committee Financial Expert

Our board of directors has determined that Paul Pommier qualifies as an “audit committee financial expert” within the meaning of SEC’s rules and each of the members of the audit committee is independent as determined under Exchange Act Rule 10A-3 and NASDAQ Rule 5605(a)(2).

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table represents the fees for services provided by KPMG LLP to the Company for the fiscal years ended November 30, 2011 and November 30, 2010.

	Year ended November 30, 2011	Year ended November 30, 2010
Audit fees[1]	$ 495,100	$ 122,000
Audit-related fees[2]	15,250	158,025
Tax fees[3]	35,285	56,600
All other fees	—	—
Total	$ 545,635	$ 336,625

1 Audit fees include fees of $355,000 for audit services performed in connection with our intended public offering and our subsequent listing on NASDAQ.

2 Audit-related fees relate to services rendered in connection with the conversion of our annual financial statements from Canadian Generally Accepted Accounting Principles into International Financial Reporting Standards.

3 Tax fees relate to services rendered in connection with the preparation of corporate tax returns and general tax advice.

Pre-Approval Policies and Procedures

The audit committee is responsible for overseeing the work of the auditors and pre-approving audit and non audit services. As a matter of practice, the audit committee, and/or the audit committee chairman acting on behalf of the audit committee, will pre-approve all audit and non-audit services to be performed by our auditors.

OFF-BALANCE SHEET ARRANGEMENTS

We were not involved in any off-balance sheet arrangements for the fiscal year ended November 30, 2011, with the exception of the lease of our headquarters described in the MD&A for the fiscal year ended November 30, 2011 filed as Exhibit 99.2 to this annual report on Form 40-F.

CODE OF ETHICS

We have adopted a Code of Ethics, or the Code, that applies to all of our directors, executive officers and employees. Our Code is available on our website at www.theratech.com. Since the adoption of the Code, there have not been any amendments to the Code, nor have there been any waivers, including implied waivers, from any provision of the Code.

CONTRACTUAL OBLIGATIONS

The following table lists as at November 30, 2011 information with respect to the Company's known contractual obligations.

Contractual Obligations	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 years
Long Term Debt Obligations	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	—
Operating Lease Obligations	$5,662,000	$136,000	$1,310,000	$1,001,000	$3,215,000
Purchase Obligations	—	—	—	—	—
Other Long-Term Liabilities	—	—	—	—	—
Total	$5,662,000	$136,000	$1,310,000	$1,001,000	$3,215,000

Long-term procurement agreements:

As at November 30, 2011, we had entered into long-term procurement agreements with third-party suppliers in connection with the commercialization of *EGRIFTA*™. As at November 30, 2011, we had outstanding purchase orders under these agreements amounting to $6,773,000 for the manufacture of *EGRIFTA*™ for delivery in the fiscal years 2012 and 2013.

NASDAQ CORPORATE GOVERNANCE

Our common shares are quoted for trading on the NASDAQ Global Market under the symbol THER. NASDAQ Marketplace Rule 5615(a)(3) permits a foreign private issuer to follow its home country practice in lieu of certain requirements of the Rule 5600 Series. A foreign private issuer that follows a home country practice in lieu of one or more provisions of the Rule 5600 Series is required to disclose in its annual report filed with the SEC, or on its website, each requirement of the Rule 5600 Series that it does not follow and describe the home country practice followed by the issuer in lieu of such NASDAQ corporate governance requirements.

We do not follow Marketplace Rule 5620(c), but instead follow our home country practice. The NASDAQ minimum quorum requirements under Rule 5620(c) for a meeting of shareholders is 33.33% of the outstanding common shares. In addition, Rule 5620(c) requires that an issuer listed on NASDAQ state its quorum requirements in its governing documents. Our quorum requirement is set forth in our by-laws. A quorum for a meeting of our shareholders is one person present in person or duly represented who, in the aggregate, holds no less than 10% of the aggregate number of votes attached to all our voting shares entitled to be voted at the meeting. The foregoing is consistent with the laws, customs and practices in Canada and the rules of the Toronto Stock Exchange.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Company has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the Registrant's agent for service of process shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X referencing the file number of the relevant registration statement of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized, on February 8, 2012.

Theratechnologies Inc.

By: /S/ JOHN MICHEL T. HUSS
Name: **John Michel T. Huss**
Title: **President and Chief Executive Officer**

EXHIBIT INDEX

Exhibit	Description
99.1	Consolidated Financial Statements for the fiscal year ended November 30, 2011
99.2	Management's Discussion and Analysis for the fiscal year ended November 30, 2011
99.3	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
99.4	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
99.5	Section 1350 Certification of Chief Executive Officer
99.6	Section 1350 Certification of Chief Financial Officer
99.7	Consent of Auditors

Consolidated Financial Statements of

THERATECHNOLOGIES INC.

Years ended November 30, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Theratechnologies Inc.

We have audited the accompanying consolidated financial statements of Theratechnologies Inc., which comprise the consolidated statements of financial position as at November 30, 2011 and November 30, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended November 30, 2011 and November 30, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Theratechnologies Inc. as at November 30, 2011 and November 30, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended November 30, 2011 and November 30, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Chartered Accountants

Montréal, Canada

February 7, 2012

THERATECHNOLOGIES INC.
Consolidated Financial Statements

Years ended November 30, 2011 and 2010

Financial Statements

THERATECHNOLOGIES INC.
Consolidated Statements of Financial Position

As at November 30, 2011 and 2010
(in thousands of Canadian dollars)

	Note	November 30, 2011 $	November 30, 2010 $
Assets			
Current assets:			
Cash		2,559	26,649
Bonds	9	752	1,860
Trade and other receivables	10	1,784	161
Tax credits and grants receivable	11	346	332
Inventories	12	10,332	4,317
Prepaid expenses		2,308	1,231
Derivative financial assets	16 (ii)	347	—
Total current assets		18,428	34,550
Non-current assets:			
Bonds	9	33,476	36,041
Property and equipment	13	969	1,060
Total non-current assets		34,445	37,101
Total assets		52,873	71,651
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	14	7,129	4,977
Provisions	20 (b)	52	—
Derivative financial liabilities	21 (b)	16	—
Current portion of deferred revenue	5	4,279	6,847
Total current liabilities		11,476	11,824
Non-current liabilities:			
Other liabilities	15	775	325
Deferred revenue	5	4,279	6,846
Total non-current liabilities		5,054	7,171
Total liabilities		16,530	18,995
Equity			
Share capital	16	280,488	279,398
Contributed surplus		8,242	7,808
Deficit		(252,846)	(235,116)
Accumulated other comprehensive income		459	566
Total equity		36,343	52,656
Contingent liability	19		
Commitments	24		
Subsequent events	27		
Total liabilities and equity		52,873	71,651

See accompanying notes to the consolidated financial statements.

On behalf of the Board,

(signed) Paul Pommier
Director

(signed) Jean-Denis Talon
Director

THERATECHNOLOGIES INC.
Consolidated Statements of Comprehensive Income

Years ended November 30, 2011 and 2010
(in thousands of Canadian dollars, except per share amounts)

	Note	November 30, 2011 $	November 30, 2010 $
Revenue:			
Sale of goods	5	8,351	—
Research services:			
Milestone payments	5	—	25,000
Upfront payments and initial technology access fees	5	5,134	6,846
Royalties and license fees	5	1,443	22
Total revenue		14,928	31,868
Cost of sales	7	9,146	469
Research and development expenses, net of tax credits of $957 (2010 - $934)	11	10,992	14,064
Selling and market development expenses		2,019	2,670
General and administrative expenses		10,823	8,002
Restructuring costs	20	716	—
Total operating expenses		33,696	25,205
Results from operating activities		(18,768)	6,663
Finance income	8	1,602	1,888
Finance costs	8	(636)	493
Total net finance income		966	2,381
Net (loss) profit before income taxes		(17,802)	9,044
Income tax recovery (expense)	17	72	(114)
Net (loss) profit		(17,730)	8,930
Other comprehensive (loss) income, net of tax:			
Net change in fair value of available-for-sale financial assets, net of tax		121	(390)
Net change in fair value of available-for-sale financial assets transferred to net profit (loss), net of tax		(228)	(326)
		(107)	(716)
Total comprehensive (loss) income for the year		(17,837)	8,214
Basic and diluted (loss) earnings per share	16 (vi)	(0.29)	0.15

See accompanying notes to the consolidated financial statements.

THERATECHNOLOGIES INC.
Consolidated Statements of Changes in Equity

Years ended November 30, 2011 and 2010
(in thousands of Canadian dollars)

	Note	Share capital		Contributed surplus	Unrealized gains or losses on available-for-sale financial assets [(i)]	Deficit	Total
		Number	Dollars				
			$	$	$	$	$
Balance as at November 30, 2009		60,429,393	279,169	6,757	1,282	(244,160)	43,048
Total comprehensive income (loss) for the year:							
Net profit		—	—	—	—	8,930	8,930
Other comprehensive income (loss):							
Net change in fair value of available-for-sale financial assets, net of tax		—	—	—	(390)	—	(390)
Net change in fair value of available-for-sale financial assets transferred to net profit (loss), net of tax		—	—	—	(326)	—	(326)
Total comprehensive income (loss) for the year		—	—	—	(716)	8,930	8,214
Transactions with owners, recorded directly in equity:							
Issue of common shares	16 (i)	2,880	15	—	—	—	15
Income tax related to share issue costs		—	—	—	—	114	114
Share-based compensation plan:							
Share-based compensation for stock option plan	16 (v)	—	—	1,133	—	—	1,133
Exercise of stock options:							
Monetary consideration	16 (v)	80,491	132	—	—	—	132
Attributed value	16 (v)	—	82	(82)	—	—	—
Total contributions by owners		83,371	229	1,051	—	114	1,394
Balance as at November 30, 2010		60,512,764	279,398	7,808	566	(235,116)	52,656
Total comprehensive income (loss) for the year:							
Net loss		—	—	—	—	(17,730)	(17,730)
Other comprehensive income (loss):							
Net change in fair value of available-for-sale financial assets, net of tax		—	—	—	121	—	121
Net change in fair value of available-for-sale financial assets transferred to net profit (loss), net of tax		—	—	—	(228)	—	(228)
Total comprehensive loss for the year		—	—	—	(107)	(17,730)	(17,837)
Transactions with owners, recorded directly in equity:							
Issue of common shares	16 (i)	7,837	34	—	—	—	34
Share-based compensation plan:							
Share-based compensation for stock option plan	16 (v)	—	—	822	—	—	822
Exercise of stock options:							
Monetary consideration	16 (v)	344,665	668	—	—	—	668
Attributed value	16 (v)	—	388	(388)	—	—	—
Total contributions by owners		352,502	1,090	434	—	—	1,524
Balance as at November 30, 2011		60,865,266	280,488	8,242	459	(252,846)	36,343

[(i)] Accumulated other comprehensive income.

See accompanying notes to the consolidated financial statements.

THERATECHNOLOGIES INC.
Consolidated Statements of Cash Flows

Years ended November 30, 2011 and 2010
(in thousands of Canadian dollars)

	Note	November 30, 2011 $	November 30, 2010 $
Operating activities:			
Net (loss) profit		(17,730)	8,930
Adjustments for:			
Depreciation of property and equipment	13	332	466
Share-based compensation for stock option plan	16 (v)	822	1,133
Income tax (recovery) expense		(72)	114
Write-down of inventories	12	400	192
Lease inducements and amortization	15 and 18	450	325
Change in fair value of derivative financial assets	16 (ii)	490	—
Change in fair value of liability related to the deferred stock unit plan	16 (ii)	(455)	—
Change in fair value of derivative financial liabilities		16	—
Operating activities before changes in operating assets and liabilities		(15,747)	11,160
Change in accrued interest income on bonds		141	728
Change in trade and other receivables		(1,623)	214
Change in tax credits and grants receivable		(14)	1,001
Change in inventories		(6,415)	(2,284)
Change in prepaid expenses		(1,077)	(601)
Change in accounts payable and accrued liabilities		2,600	(473)
Change in provisions		52	—
Change in deferred revenue		(5,135)	(6,845)
		(11,471)	(8,260)
Cash flows (used in) from operating activities		(27,218)	2,900
Financing activities:			
Proceeds from issue of share capital		34	15
Proceeds from exercise of stock options	16	668	132
Cash flows from financing activities		702	147
Investing activities:			
Acquisition of property and equipment	13	(234)	(415)
Proceeds from sale of bonds		31,141	22,498
Acquisition of bonds		(27,644)	—
Prepayment of derivative financial assets		(837)	—
Cash flows from investing activities		2,426	22,083
Net change in cash		(24,090)	25,130
Cash as at December 1		26,649	1,519
Cash as at November 30		2,559	26,649

See note 20 for supplemental information.

See accompanying notes to the consolidated financial statements.

1. Reporting entity:

Theratechnologies Inc. is a specialty pharmaceutical company that discovers and develops innovative therapeutic peptide products, with an emphasis on growth-hormone releasing factor (GRF) peptides.

The consolidated financial statements include the accounts of Theratechnologies Inc. and its wholly-owned subsidiaries (together referred to as the "Company" and individually as "the subsidiaries of the Company").

Theratechnologies Inc. is incorporated under Part 1A of the Québec *Companies Act* and is domiciled in Quebec, Canada. The Company is located at 2310 boul. Alfred-Nobel, Montreal, Quebec, H4S 2B4.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on February 7, 2012.

(b) Basis of measurement:

The Company's consolidated financial statements have been prepared on a going concern and historical cost basis, except for available-for-sale financial assets, derivative financial assets, liabilities related to the deferred stock unit plan and derivative financial liabilities, which are measured at fair value.

The methods used to measure fair value are discussed further in note 23.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements:

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

2. Basis of preparation (continued):

(d) Use of estimates and judgements (continued):

Information about critical judgements in applying accounting policies and assumption and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is noted below:

- Revenue and deferred revenue:

  Revenue recognition is subject to critical judgements, particularly in collaboration agreements that include multiple deliverables, as judgement is required in allocating revenue to each component, including upfront payments, milestone payments, research services, royalties and license fees and sale of goods.

- Stock option plan:

  There is estimation uncertainty with respect to selecting inputs to Black-Scholes model used to determine the fair value of the stock options.

- Income taxes:

  In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The generation of future taxable income is dependent on the successful commercialization of the Company’s products and technologies.

- Contingent liability:

  Management uses judgement in assessing the possibility of any outflow in settlement of contingent liabilities.

Other areas of judgement and uncertainty relate to the estimation of accruals for clinical trial expenses, the recoverability of inventories, the measurement of the amount and assessment of the recoverability of tax credits and grants receivable and capitalization of development expenditures.

Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates.

The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies:

The accounting policies have been applied consistently by the subsidiaries of the Company.

(a) Basis of consolidation:

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Subsidiaries are entities controlled by the Company. Control is present where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable currently are taken into consideration. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Company.

Reciprocal balances and transactions, revenues and expenses resulting from transactions between subsidiaries and with the Company are eliminated in preparing the consolidated financial statements.

(b) Foreign currency:

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency differences arising on translation are recognized in net profit (loss), except for differences arising on the translation of available-for-sale equity instruments, which are recognized in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Revenue recognition:

Collaboration agreements that include multiple deliverables are considered to be multi-element arrangements. Under this type of arrangement, the identification of separate units of accounting is required and revenue is allocated among the separate units based on their relative fair values.

3. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Payments received under the collaboration agreement may include upfront payments, milestone payments, research services, royalties and license fees and for sale of goods. Revenues for each unit of accounting are recorded as described below:

(i) Sale of goods:

Revenues from the sale of goods are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Royalties and license fees:

Royalties and license fees are recognized when conditions and events under the license agreement have occurred and collectibility is reasonably assured.

(iii) Research services:

Revenues from research contracts are recognized when services to be provided are rendered and all conditions under the terms of the underlying agreement are met.

(a) Upfront payments and initial technology access fees:

Upfront payments and initial technology access fees are deferred and recognized as revenue on a systematic basis over the period during which the related products or services are delivered and all obligations are performed.

(b) Milestone payments:

Revenues subject to the achievement of milestones are recognized only when the specified events have occurred and collectibility is reasonably assured.

(d) Cost of sales:

Cost of sales represents the cost of goods sold and includes the cost of raw materials, supplies, direct labour, direct overhead charges, unallocated indirect costs related to production as well as write-down of inventories. Other direct costs, such as manufacturing start-up costs between validation and the achievement of normal production, are expensed as incurred.

3. Significant accounting policies (continued):

(e) Employee benefits:

Salaries and short-term employee benefits:

Salaries and short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term profit-sharing or cash bonus plans if the Company has a legal or constructive obligation to pay an amount as a result of past services rendered by an employee and the obligation can be estimated reliably.

Post-employment benefits:

Post-employment benefits include a defined contribution plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. The Company's defined contribution plan comprises the registered retirement savings plan, the Quebec Pension Plan and unemployment insurance.

Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(f) Finance income and finance costs:

Finance income comprises interest income on available-for-sale financial assets and gains (losses) on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in net profit (loss), using the effective interest method.

Finance costs are comprised of bank charges, impairment losses on financial assets recognized in net profit (loss), changes in fair value of liabilities and derivatives and of foreign currency gains and losses which are reported on a net basis.

3. Significant accounting policies (continued):

(g) Inventories:

Inventories are presented at the lower of cost, determined using the first-in first-out method, or net realizable value. Inventory costs include the purchase price and other costs directly related to the acquisition of materials, and other costs incurred in bringing the inventories to their present location and condition. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labour, and a systematic allocation of fixed and variable production overhead, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on the normal capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances.

Net realizable value is the estimated selling price in the Company's ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Derivative financial instruments:

Derivative financial instruments are recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. The changes in the fair value of derivatives are recognized in the statement of comprehensive income.

(i) Property and equipment:

Recognition and measurement:

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in net profit (loss).

3. Significant accounting policies (continued):

(i) Property and equipment (continued):

Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in net profit (loss) as incurred.

Depreciation:

The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Method	Rate/Period
Computer equipment	Declining balance	50%
Laboratory equipment	Declining balance	20%
	and straight-line	5 years
Office furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	Lower of term of lease or economic life

This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Estimates for depreciation methods, useful lives and residual values are reviewed at each year-end and adjusted if appropriate.

(j) Intangible assets:

Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

3. Significant accounting policies (continued):

(j) Intangible assets (continued):

Research and development (continued)*:*

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria are usually met when a regulatory filing has been made in a major market and approval is considered highly probable. The expenditure capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

During the years ended November 30, 2011 and 2010, no development expenditures were capitalized.

(k) Financial instruments:

The Company's financial instruments are classified into one of three categories: loans and receivables, available-for-sale financial assets and other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its bonds as available-for-sale financial assets. The Company has presented its bonds having a maturity of less than twelve months as current assets. The Company has classified cash and trade and other receivables as loans and receivables, and accounts payable and accrued liabilities and provisions as other financial liabilities.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit (loss).

(l) Leases:

Operating lease payments are recognized in net profit (loss) on a straight-line basis over the term of the lease.

3. Significant accounting policies (continued):

(l) Leases (continued):

Lease inducements arising from leasehold improvement allowances and rent-free periods form an integral part of the total lease cost and are deferred and recognized in net profit (loss) over the term of the lease on a straight-line basis.

(m) Impairment:

Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each consolidated financial statement reporting date to determine whether there is objective evidence that it is impaired. The Company considers that a financial asset is impaired if objective evidence indicates that one or more loss events had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in net profit (loss).

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net profit (loss) and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit (loss).

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to net profit (loss). The cumulative loss that is removed from other comprehensive income and recognized in net profit (loss) is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in net profit (loss). Changes in impairment provisions attributable to time value are reflected as a separate component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net profit (loss), then the impairment loss is reversed, with the amount of the reversal recognized in net profit (loss). However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

3. Significant accounting policies (continued):

(m) Impairment (continued):

Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets ("cash-generating unit"). Impairment losses recognized in prior periods are determined at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount, increased through reversal of an impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs.

Restructuring:

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

3. Significant accounting policies (continued):

(n) Provisions (continued):

Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract. There were no onerous contracts as at November 30, 2011 and 2010.

Site restoration:

Where there is a legal or constructive obligation to restore leased premises to good condition, except for normal aging on expiry or early termination of the lease, the resulting costs are provisioned up to the discounted value of estimated future costs and increase the carrying amount of the corresponding item of property and equipment. The Company amortizes the cost of restoring leased premises and recognizes an unwinding of discount expense on the liability related to the term of the lease.

Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

(o) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net profit (loss) except to the extent that they relate to items recognized directly in other comprehensive income or in equity.

Current tax:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Significant accounting policies (continued):

(o) Income taxes (continued):

Deferred tax:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax liability is generally recognized for all taxable temporary differences.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Share-based compensation:

(i) Stock option plan:

The Company records share-based compensation related to employee stock options granted using the fair value based method estimated using the Black-Scholes model. Under this method, compensation cost is measured at fair value at the date of grant and expensed, as employee benefits, over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Share-based payment arrangements in which the Company receives services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

(ii) Deferred stock unit plan:

The deferred stock units (“DSU”) are totally vested at the grant date. In the case of the DSU granted to officers for annual bonuses, a DSU liability is recorded at the grant date in place of the liability for the bonuses payments. In the case of the directors, the expense related to DSU and their liabilities are recognized at the grant date. The liability is adjusted periodically to reflect any change in market value of common shares.

3. Significant accounting policies (continued):

(q) Government grants:

Government grants consisting of grants and investment tax credits, are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

(r) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(s) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held if applicable, for the effects of all dilutive potential common shares, which consist of the stock options granted to employees.

4. Upcoming changes in accounting standards:

(a) Amendments to existing standards:

Annual improvements to IFRS:

The IASB's improvements to IFRS contain seven amendments that result in accounting changes for presentation, recognition or measurement purposes. The most significant features of the IASB's annual improvements project published in May 2010 which are applicable for annual period beginning on or after January 1, 2011 with partial adoption permitted are included under the specific revisions to standards discussed below.

(i) IFRS 7:

Amendment to IFRS 7, Financial Instruments: Disclosures:

Multiple clarifications related to the disclosure of financial instruments and in particular in regards to transfers of financial assets.

4. Upcoming changes in accounting standards (continued):

(a) Amendments to existing standards (continued):

Annual improvements to IFRS (continued)*:*

(ii) IAS 1:

Amendment to IAS 1, Presentation of Financial Statements:

Entities may present the analysis of the components of other comprehensive income either in the statement of changes in equity or within the notes to the financial statements.

(iii) IAS 24:

Amendment to IAS 24, Related Party Disclosures:

There are limited differences in the definition of what constitutes a related party; however, the amendment requires more detailed disclosures regarding commitments.

(iv) IAS 34:

Amendment to IAS 34, Interim Financial Reporting:

The amendments place greater emphasis on the disclosure principles for interim financial reporting involving significant events and transactions, including changes to fair value measurements and the need to update relevant information from the most recent annual report.

(b) New or revised standards and interpretations issued but not yet adopted:

In addition, the following new or revised standards and interpretations have been issued but are not yet applicable to the Company:

(i) IFRS 9 Financial instruments:

Effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

Applies to the classification and measurement of financial assets and liabilities. It is the first of three phases of a project to develop standards to replace IAS 39, *Financial Instruments*.

(ii) IFRS 10 Consolidated Financial Statements:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

4. Upcoming changes in accounting standards (continued):

(b) New or revised standards and interpretations issued but not yet adopted (continued):

(ii) IFRS 10 Consolidated Financial Statements (continued):

Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities*, and IAS 27, *Consolidated and Separate Financial Statements*.

(iii) IFRS 13 Fair Value Measurement:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

Provides new guidance on fair value measurement and disclosure requirements.

The Company has not yet determined the impact of these amendments to existing standards on the consolidated financial statements.

5. Revenue and deferred revenue:

(a) EMD Serono Inc.:

On October 28, 2008, the Company entered into a collaboration and licensing agreement with EMD Serono Inc. (“EMD Serono”), an affiliate of the Group Merck KGaA, of Darmstadt, Germany, regarding the exclusive commercialization rights of tesamorelin in the United States for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy (the “Initial Product”).

Under the terms of the agreement, the Company is responsible for the development of the Initial Product up to obtaining marketing approval in the United States, which was obtained on November 10, 2010. The Company is also responsible for product production and for developing a new formulation of the Initial Product. EMD Serono is responsible for conducting product commercialization activities.

At the closing of the agreement on December 15, 2008, the Company received US$30,000 (C$36,951), which includes an initial payment of US$22,000 (C$27,097) and US$8,000 (C$9,854) as a subscription for common shares in the Company by Merck KGaA at a price of US$3.67 (C$4.52) per share. The Company may receive up to US$215,000, which amount includes the initial payment of US$22,000, the equity investment of US$8,000, as well as payments based on the achievement of certain development, regulatory and sales milestones. The Company will also be entitled to receive increasing royalties on annual net sales of tesamorelin in the United States, if applicable.

5. Revenue and deferred revenue (continued):

(a) EMD Serono Inc. (continued):

Royalties on sales are paid quarterly in arrears based on the calendar quarter and, in each year, the royalty rate increases once a pre-agreed level of sales is reached. For the year ended November 30, 2011, an amount of $1,423 was recognized as royalty revenue in relation to the initial sales period from the product launch in January until September 30, 2011.

For the year ended November 30, 2011, an amount of $8,351 (2010 - nil) was recognized as sale of goods to EMD Serono.

The initial payment of $27,097 has been deferred and is being amortized on a straight-line basis over the estimated period for developing a new formulation of the Initial Product. This period may be modified in the future based on additional information that may be received by the Company. In April 2011, further development work has caused the Company to extend the services period to year-end 2013 rather than year-end 2012. For the year ended November 30, 2011, an amount of $5,134 (2010 - $6,846) was recognized as revenue. As at November 30, 2011, the deferred revenue related to this transaction amounted to $8,558 (2010 - $13,692).

On November 10, 2010, the FDA approved *EGRIFTA*® (tesamorelin for injection) as the first and only indicated treatment for excess abdominal fat in HIV-infected patients with lipodystrophy (abdominal lypohypertrophy). Under this agreement, FDA homologation is associated with a milestone payment totalling US$25,000 (C$25,000).

The Company may conduct research and development activities for additional indications. Under the collaboration and licensing agreement, EMD Serono will also have the option to commercialize additional indications for tesamorelin in the United States. If it exercises this option, EMD Serono will pay half of the development costs related to such additional indications. In such cases, the Company will also have the right, subject to an agreement with EMD Serono, to participate in promoting these additional indications.

(b) Sanofi-aventis:

On December 6, 2010, the Company announced the signing of a distribution and licensing agreement with Sanofi-aventis (“Sanofi”), covering the commercial rights for *EGRIFTA*® in Latin America, Africa, and the Middle East for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy.

5. Revenue and deferred revenue (continued):

(b) Sanofi-aventis (continued):

Under the terms of the agreement, the Company will sell *EGRIFTA*® to Sanofi at a transfer price equal to the higher of a percentage of Sanofi's net selling price and a predetermined floor price. The Company has retained all future development rights to *EGRIFTA*® and will be responsible for conducting research and development for any additional clinical programs. Sanofi will be responsible for conducting all regulatory activities for *EGRIFTA*® in the aforementioned territories, including applications for approval in the different countries for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy. The Company also granted Sanofi an option to commercialize tesamorelin for other indications in the territories mentioned above. If such option is not exercised, or is declined, by Sanofi, the Company may commercialize tesamorelin for such indications on its own or with a third party.

No revenue was recognized during the year ended November 30, 2011 under this agreement.

(c) Ferrer Internacional S.A.:

On February 3, 2011, the Company entered into a distribution and licensing agreement with Ferrer Internacional S.A. ("Ferrer") covering the commercial rights for *EGRIFTA*® for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy in Europe, Russia, South Korea, Taiwan, Thailand and certain central Asian countries.

Under the terms of the Agreement, the Company will sell *EGRIFTA*® to Ferrer at a transfer price equal to the higher of a significant percentage of the Ferrer's net selling price and a predetermined floor price. The Company has retained all development rights to *EGRIFTA*® for other indications and will be responsible for conducting research and development for any additional programs. Ferrer will be responsible for conducting all regulatory and commercialization activities in connection with *EGRIFTA*® for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy in the territories mentioned above. The Company will be responsible for the manufacture and supply of *EGRIFTA*® to Ferrer. The Company has the option to co-promote *EGRIFTA*® for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy in the territories. Ferrer has the option to enter into a co-development and commercialization agreement using tesamorelin relating to any such new indications. The terms and conditions of such a co-development and commercialization agreement will be negotiated based on any additional program chosen for development.

No revenue was recognized during the year ended November 30, 2011 under this agreement.

(in thousands of Canadian dollars, except per share amounts)

6. Personnel expenses:

	Note	November 30, 2011 $	November 30, 2010 $
Salaries and short-term employee benefits		10,865	11,577
Post-employment benefits		551	579
Termination benefits		620	20
Share-based compensation	16 (ii) and (v)	1,161	1,133
Total personnel expenses		13,197	13,309

Share-based compensation does not include $155 (2010 - nil) of compensation to non-employee directors.

7. Cost of sales:

	Note	November 30, 2011 $	November 30, 2010 $
Cost of goods sold		8,040	—
Other costs		423	277
Write-down of inventories	12	400	192
Production development costs		283	—
		9,146	469

8. Finance income and finance costs:

Recognized in net profit (loss):

	November 30, 2011 $	November 30, 2010 $
Interest income	1,374	1,562
Net gain on disposal of available-for-sale financial assets	228	326
Finance income	1,602	1,888
Bank charges	(18)	(18)
Net foreign currency (loss) gain	(567)	511
Gain (loss) on financial instruments carried at fair value	(51)	—
Finance costs	(636)	493
Net finance income recognized in net profit (loss)	966	2,381

(in thousands of Canadian dollars, except per share amounts)

8. Finance income and finance costs (continued):

Recognized in other comprehensive income:

	November 30, 2011 $	November 30, 2010 $
Net change in fair value of available-for-sale financial assets, net of tax	121	(390)
Net change in fair value of available-for-sale financial assets transferred to net profit (loss), net of tax	(228)	(326)
Finance costs recognized in other comprehensive income, net of tax	(107)	(716)

9. Bonds:

Bonds are interest-bearing available-for-sale financial assets, with a carrying amount of $34,228 as at November 30, 2011 ($37,901 in 2010), have stated interest rates of 2.30% to 5.45% (2.37% to 6.75% in 2010) and mature in 2.79 years (1.9 in 2010).

The Company's exposure to credit and interest rate risks related to bonds is presented in note 21.

10. Trade and other receivables:

	Note	November 30, 2011 $	November 30, 2010 $
Trade receivables		1,364	6
Sales tax receivable		227	100
Loans granted to employees under the share purchase plan	16 (iv)	10	25
Loans granted to related parties under the share purchase plan	16 (iv) and 26	—	22
Other receivables		183	8
		1,784	161

The Company's exposure to credit and currency risks related to trade and other receivables is presented in note 21.

(in thousands of Canadian dollars, except per share amounts)

11. Tax credits and grants receivable:

	November 30, 2011 $	November 30, 2010 $
Balance at beginning of the year	332	1,333
Investment tax credits and grants received	(943)	(1,935)
Investment tax credits and grants recognized in net profit (loss)	957	934
	346	332

Tax credits and grants receivable comprise research and development investment tax credits receivable from the federal government which relate to qualifiable research and development expenditures under the applicable tax laws. The amounts recorded as receivable are subject to a government tax audit and the final amounts received may differ from those recorded. There are no unfulfilled conditions or contingencies associated with the government assistance received.

Unused federal tax credits may be used to reduce future income tax and expire as follows:

	$
2023	452
2024	1,597
2025	1,863
2026	2,180
2027	3,000
2028	3,329
2029	2,243
2030	1,111
2031	748
	16,523

12. Inventories:

	November 30, 2011 $	November 30, 2010 $
Raw materials	5,751	3,395
Work in progress	1,096	922
Finished goods	3,485	—
	10,332	4,317

(in thousands of Canadian dollars, except per share amounts)

12. Inventories (continued):

In 2011, the Company recorded an inventory provision of $42 over raw materials (2010 - $123), nil over work in progress (2010 - $69) and $406 over finished goods (2010 - nil) to write down their value to their estimated net realizable value, and a reversal of inventory write-down of $(48) over raw materials (2010 - nil), due to a decrease in the costs of conversion of raw materials into finished goods. The net inventory write-down of $400 (2010 - $192) was recorded in cost of sales.

The write-down of 2011 was due to pricing related to raw materials that were originally purchased under research and development conditions and not under the Company's current long-term procurement agreements.

13. Property and equipment:

	Computer equipment	Laboratory equipment	Office furniture and equipment	Leasehold improvements	Total
	$	$	$	$	$
Cost:					
Balance at November 30, 2009	874	1,945	1,124	1,854	5,797
Additions	130	116	7	46	299
Disposals	(63)	(43)	(2)	—	(108)
Balance at November 30, 2010	941	2,018	1,129	1,900	5,988
Additions	203	19	11	8	241
Disposals	(278)	(81)	—	—	(359)
Balance at November 30, 2011	866	1,956	1,140	1,908	5,870
Accumulated depreciation:					
Balance at November 30, 2009	617	1,519	701	1,731	4,568
Depreciation for the year	170	88	85	123	466
Disposals	(63)	(41)	(2)	—	(106)
Balance at November 30, 2010	724	1,566	784	1,854	4,928
Depreciation for the year	147	112	70	3	332
Disposals	(278)	(81)	—	—	(359)
Balance at November 30, 2011	593	1,597	854	1,857	4,901
Net carrying amounts:					
November 30, 2010	217	452	345	46	1,060
November 30, 2011	273	359	286	51	969

(in thousands of Canadian dollars, except per share amounts)

13. Property and equipment (continued):

Depreciation expense for the year has been recorded in the following accounts in the consolidated statement of comprehensive income:

	November 30, 2011 $	November 30, 2010 $
Cost of sales	44	8
Research and development expenses	146	231
Selling and market development expenses	6	10
General and administrative expenses	136	217
	332	466

14. Accounts payable and accrued liabilities:

	Note	November 30, 2011 $	November 30, 2010 $
Trade payables		3,429	1,001
Accrued liabilities and other payables		1,314	1,440
Salaries and benefits due to related parties	26	724	565
Employee salaries and benefits payable		1,332	1,971
Liability related to the deferred stock unit plan	16 (ii)	330	—
		7,129	4,977

The Company’s exposure to currency and liquidity risks related to accounts payable and accrued liabilities is presented in note 21.

15. Other liabilities:

Other liabilities consist of deferred lease inducements relating to rent free periods amounting to $775 as at November 30, 2011 (November 30, 2010 - $325) (note 18).

16. Share capital:

Authorized in unlimited number and without par value:

Common shares

Preferred shares issuable in one or more series

All issued shares are fully paid, except for 3,700 (2010 - 33,524) issued under the share purchase plan and for which the loan has not been repaid in full (see note 16 (iv)).

Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

No preferred shares are outstanding.

(i) 2011:

In 2011, the Company received subscriptions in the amount of $34 for the issuance of 7,837 common shares in connection with its share purchase plan.

2010:

In 2010, the Company received subscriptions in the amount of $15 for the issuance of 2,880 common shares in connection with its share purchase plan.

All shares issued were for cash consideration.

(ii) Deferred stock unit plan:

On December 10, 2010, the Board of Directors adopted a deferred stock unit plan (the "DSU Plan") for the benefit of its directors and officers (the "Beneficiaries"). The goal of the DSU Plan is to increase the Company's ability to attract and retain high-quality individuals to act as directors or officers and better align their interests with those of the shareholders of the Company in the creation of long-term value. Under the terms of the DSU Plan, Beneficiaries who are directors are entitled to elect to receive all or part of their annual retainer to act as directors and Chair of the Board in DSU. Beneficiaries who act as officers are entitled to elect to receive all or part of their annual bonus, if any, in DSU. The value of a DSU (the "DSU Value") is equal to the average closing price of the common shares on The Toronto Stock Exchange on the date on which a Beneficiary determines that he desires to receive or redeem DSU and during the four (4) previous trading days. Beneficiaries who act as directors must elect to receive DSU before December 23 of a calendar year for the ensuing calendar year, whereas Beneficiaries who act as officers must make that election within 48 hours after having been notified of their annual bonus. For the purposes of granting DSU, the DSU Value for directors is determined as at December 31 of a calendar year and the DSU Value for officers is determined on the second business day after they have been notified of their annual bonus.

16. Share capital (continued):

(ii) Deferred stock unit plan (continued):

DSU may only be redeemed when a Beneficiary ceases to act as a director or an officer of the Company. Except that under the terms of the employment agreement of the president and chief executive officer of the Company, he may require that his DSU be redeemed after three (3) years from the date the DSU were granted. Upon redemption, the Company must provide a Beneficiary with an amount in cash equal to the DSU Value on the Redemption Date. Beneficiaries may not sell, transfer or otherwise assign their DSU or any rights associated therewith other than by will or in accordance with legislation regarding the vesting and partition of successions.

The DSU are totally vested at the grant date. In the case of the DSU granted to officers for annual bonuses, a DSU liability is recorded at the grant date in place of the liability for the bonuses payments. In the case of the directors, the expense related to DSU and their liabilities are recognized at the grant date. During the year ended November 30, 2011, $494 (2010 - nil) was recorded as an expense and is included in general and administrative expenses. At the beginning of the year, amounts due to officers totalling $300 were settled with the issuance of DSU. The liability related to the DSU is adjusted periodically to reflect any change in market value of common shares. As at November 30, 2011, a gain of $455 was recognized due to the change in the fair value of DSU. This gain is included in gain (loss) on financial instruments carried at fair value. As at November 30, 2011, the Company has a total of 143,655 DSU outstanding (2010 - nil) and a liability related to the DSU of $330 (2010 - nil). As at November 30, 2011, 2,005 DSU were redeemed for a cash consideration of $9.

To protect against fluctuations in the value of the DSU's, the Company entered into two cash settled forward stock contracts in the first quarter of 2011 ($580 for the first and $257 for the second; these amounts correspond to 146,875 common shares of the Company at a price of $5.69 and $5.72, respectively). The contracts expire in December 2011. They were not designated as hedging instruments for accounting purposes. Changes in fair value of these contracts are, therefore, included in gain (loss) on financial instruments carried at fair value in the period in which they occur. In connection with these forward stock contracts, the Company invested $837 in term deposits, as advance payments, with the same counterparty, such term deposits maturing at the same time as the cash settled forward stock contracts. During the year ended November 30, 2011, a loss of $490 related to the change in the fair value of derivative financial assets was recognized. As at November 30, 2011, the fair value of cash settled forward stock contracts was $347 (2010 - nil) and is recorded in derivative financial assets.

16. Share capital (continued):

(iii) Shareholder rights plan:

On February 10, 2010, the Company's Board of Directors adopted a shareholder rights plan (the "Plan"), effective as of that date. The Plan is designed to provide adequate time for the Board of Directors and the shareholders, to assess an unsolicited takeover bid for the Company. In addition, the Plan provides the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a takeover bid is made, as well as provide shareholders with an equal opportunity to participate in a takeover bid to receive full and fair value for their common shares. The Plan will expire at the close of the Company's annual meeting of shareholders in 2013.

The rights issued under the Plan will initially attach to and trade with the common shares and no separate certificates will be issued unless a triggering event occurs. The rights will become exercisable only when a person, including any party related to it, acquires or attempts to acquire 20% or more of the outstanding shares without complying with the "Permitted Bid" provisions of the Plan or without approval of the Board of Directors. Should such an acquisition occur or be announced, each right would, upon exercise, entitle a rights holder, other than the acquiring person and related persons, to purchase common shares at a 50% discount to the market price at the time.

Under the Plan, a Permitted Bid is a bid made to all holders of the common shares and which is open for acceptance for not less than 60 days. If at the end of 60 days at least 50% of the outstanding common shares, other than those owned by the offeror and certain related parties, have been tendered, the offeror may take up and pay for the common shares, but must extend the bid for a further 10 days to allow other shareholders to tender.

(iv) Share purchase plan:

The Share Purchase Plan entitles full-time and part-time employees of the Company who, on the participation date, are residents of Canada, are not under a probationary period and do not hold, directly or indirectly, five percent (5%) or more of the Company's outstanding common shares, to directly subscribe for common shares of the Company. Under the Share Purchase Plan, a maximum of 550,000 common shares may be issued to employees. The offering period of the Share Purchase Plan is between March 26, 2009 and March 31, 2012.

On May 1 and November 1 of each year (the "Participation Dates"), an employee may subscribe for a number of common shares under the Share Purchase Plan for an amount that does not exceed 10% of that employee's gross annual salary for that year. Under the Share Purchase Plan, the Board of Directors has the authority to suspend or defer a subscription of common shares, or to decide that no subscription of common shares will be allowed on a Participation Date if it is in the Company's best interest.

16. Share capital (continued):

(iv) Share purchase plan (continued):

The Share Purchase Plan provides that the number of common shares that may be issued to insiders, at any time, under all share-based compensation arrangements of the Company, cannot exceed 10% of the Company's outstanding common shares, and the number of common shares issued to insiders, within any one-year period, under all security-based compensation arrangements, cannot exceed 10% of the outstanding common shares.

The subscription price for each new common share subscribed for under the Share Purchase Plan is equal to the weighted average closing price of the common shares on the Toronto Stock Exchange during a period of five days prior to the Participation Date. Employees may not assign the rights granted under the Share Purchase Plan.

An employee may elect to pay the subscription price for common shares in cash or through an interest-free loan from the Company. Loans granted by the Company under the Share Purchase Plan are repayable through salary withholdings over a period not exceeding two years. All loans may be repaid prior to the scheduled repayment at any time. The loans granted to any employee may at no time exceed 10% of that employee's current annual gross salary. All common shares purchased through an interest-free loan are hypothecated to secure full and final repayment of the loan and are held by a trustee until repayment in full. Loans are immediately due and payable on the occurrence of any of the following events: (i) termination of employment; (ii) sale or seizure of the hypothecated common shares; (iii) bankruptcy or insolvency of the employee; or (iv) suspension of the payment of an employee's salary or revocation of the employee's right to salary withholdings.

At November 30, 2011, $10 (November 30, 2010 - $47) was receivable under these loans (see note 10).

(v) Stock option plan:

The Company has established a stock option plan under which it can grant to its directors, officers, employees, researchers and consultants non-transferable options for the purchase of common shares. The exercise date of an option may not be later than 10 years after the grant date. A maximum number of 5,000,000 options can be granted under the plan. Generally, the options vest at the date of the grant or over a period up to 5 years. As at November 30, 2011, 1,156,008 options could still be granted by the Company (2010 - 981,005).

All options are to be settled by physical delivery of shares.

(in thousands of Canadian dollars, except per share amounts)

16. Share capital (continued):

(v) Stock option plan (continued):

Changes in the number of options outstanding during the past two years were as follows:

	Options	Weighted average exercise price per option $
Options at November 30, 2009	2,665,800	5.20
Granted	335,000	4.03
Expired	(32,500)	11.15
Forfeited	(38,671)	3.61
Exercised (weighted average share price: $5.14)	(80,491)	1.66
Options at November 30, 2010	2,849,138	5.12
Granted	250,000	5.65
Expired	(309,000)	11.17
Forfeited	(116,003)	4.46
Exercised (weighted average share price: $4.81)	(344,665)	1.94
Options at November 30, 2011	2,329,470	4.87
Exercisable at November 30, 2011	1,837,786	5.11

The following table provides stock option information as at November 30, 2011:

	Options outstanding		
Price range ($)	Number of options outstanding	Weighted average remaining life (years)	Weighted average exercise price $
1.20 - 23.00	939,845	5.63	1.76
2.01 - 2.75	8,125	3.00	2.23
2.76 - 3.75	70,000	4.51	3.37
3.76 - 4.60	215,000	8.03	3.84
4.61 - 6.00	345,000	8.37	5.45
6.01 - 9.00	536,500	3.73	8.16
9.01 - 11.65	215,000	4.28	10.97
	2,329,470	5.65	4.87

(in thousands of Canadian dollars, except per share amounts)

16. Share capital (continued):

(v) Stock option plan (continued):

During the year ended November 30, 2011, $822 (2010 - $1,133) was recorded as share-based compensation expense for stock option plan. The fair value of options granted was estimated at the grant date using the Black-Scholes model and the following weighted average assumptions:

	November 30, 2011	November 30, 2010
Risk-free interest rate	2.72%	2.49%
Expected volatility	74.00%	81.13%
Average option life in years	7.5	7.5
Expected dividends	nil	nil
Grant-date share price	$ 5.65	$ 4.03
Option exercise price	$ 5.65	$ 4.03

The risk-free interest rate is based on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the options is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past. The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

The following table summarizes the measurement date weighted average fair value of stock options granted during the years ended November 30, 2011 and 2010:

	Number of options	Weighted average grant-date fair value $
2011	250,000	4.08
2010	335,000	3.05

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company’s stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

(in thousands of Canadian dollars, except per share amounts)

16. Share capital (continued):

(vi) Earnings per share:

The calculation of basic loss per share at November 30, 2011 was based on the net (loss) profit attributable to common shareholders of the Company of $(17,730) (2010 - $8,930), and a weighted average number of common shares outstanding of 60,733,780 (2010 - 60,480,032), calculated as follows:

	November 30, 2011	November 30, 2010
Issued common shares at December 1	60,512,764	60,429,393
Effect of share options exercised	216,828	49,030
Effect of shares issued during the year	4,188	1,609
Weighted average number of common shares at November 30	60,733,780	60,480,032

The calculation of diluted earnings per share was based on a weighted average number of common shares calculated as follows:

	November 30, 2011	November 30, 2010
Weighted average number of common shares (basic)	60,733,780	60,480,032
Effect of stock options on issue	—	842,959
Weighted average number of common shares (diluted) at November 30	60,733,780	61,322,991

At November 30, 2011, 2,329,470 options (2010 - 1,119,664) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. All options outstanding at the end of 2011 could potentially dilute basic earnings per share in the future.

The average market value of the Company’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

(in thousands of Canadian dollars, except per share amounts)

17. Income taxes:

	November 30, 2011 $	November 30, 2010 $
Deferred tax expense:		
Recognition and reversal of temporary differences	4,465	(3,171)
Change in unrecognized deductible temporary differences	(4,465)	3,171
Other	(72)	114
Total deferred tax (recovery) expense	(72)	114

Reconciliation between effective and applicable tax amounts:

	November 30, 2011 $	November 30, 2010 $
Income taxes at domestic tax statutory rate	(5,077)	2,713
Change in unrecognized deductible temporary differences	4,465	(3,171)
Non-deductible expenses and other	540	572
	(72)	114

The applicable statutory tax rates are 28.52% in 2011 and 29.98% in 2010. The Corporation’s applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates. The decrease is mainly due to the reduction of the Federal income tax rate in 2011 from 18% to 16.5%.

Deferred tax recovery (expense):

Deferred tax recovery (expense) of $72 (2010 - $(114)) related to share issue costs and changes in fair value of available-for-sale financial assets was recognized directly in deficit and accumulated other comprehensive income.

(in thousands of Canadian dollars, except per share amounts)

17. Income taxes (continued):

Unrecognized deferred tax assets:

At November 30, 2011 and 2010, temporary differences for which no deferred tax asset was recognized were as follows:

	November 30, 2011 $	November 30, 2010 $
Long-term:		
Research and development expenses	31,248	30,143
Deferred non-capital losses	26,755	21,013
Property and equipment	628	609
Intellectual property and patent fees	6,923	9,230
Available deductions and other	4,554	4,648
	70,108	65,643

Given the Company's past losses, management does not believe that it is more probable than not that the Company can realize its deferred tax assets and therefore it has not recognized any amount in the statement of financial position.

At November 30, 2011 and 2010, the amounts and expiry dates of tax attributes for which no deferred tax asset was recognized were as follows:

	November 30, 2011		November 30, 2010	
	Federal $	Provincial $	Federal $	Provincial $
Research and development expenses, without time limitation	106,271	128,634	103,324	123,062
Losses carried forward:				
2014	153	—	1,216	—
2015	275	—	275	—
2027	7,638	7,628	7,638	7,628
2028	46,316	30,985	46,316	32,174
2029	19,484	16,467	19,484	16,467
2030	11,440	11,436	11,440	11,436
2031	23,541	21,107	—	—
Other temporary differences, without time limitation:				
Excess of tax value of property and equipment over carrying value	2,766	1,821	2,773	1,666
Tax value of intellectual property and patent fees	25,726	25,716	34,301	34,289
Available deductions and other	57,287	1,694	57,343	1,412

18. Operating leases:

The Company rents its headquarters and main office pursuant to an operating lease (the "Lease") expiring in April 2021. Under the terms of the Lease, the Company has also been granted two renewal options for periods of five years each. Lease payments will increase by 11% beginning on November 1, 2015.

During the year ended November 30, 2011, an amount of $501 was recognized as an expense in respect of operating leases (2010 - $628). Of the amount, $112 (2010 - $133) is included in General and administrative expenses and $389 (2010 - $495) is included in Research and development expenses.

The Company's lease includes a lease of land and building. Since the land title does not pass, and the Company does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the lessor. As such, the Company determined that the lease is an operating lease.

The Company has committed to pay the lessor for its share of some operating expenses of the leased premises. This amount has been set at $240 per year beginning May 1, 2010 and will be increased by 2.5% annually for the duration of the Lease. Refer to note 24 for the contractual commitments related to this lease.

The lessor granted the Company a monetary allowance in the amount of $728 to make leasehold improvements. This amount will be applied against the minimum payment required under the term of the lease and the operating expenses of leased premises starting on January 1, 2012. Furthermore, the Company benefits from a 25-month rent-free period which is deferred and recognized over the lease term. As at November 30, 2011, $775 was included in Other liabilities ($325 - November 30, 2010) in regards to the deferred free rent inducement (note 15 - Other liabilities).

19. Contingent liability:

On July 26, 2010, the Company received a motion of authorization to institute a class action lawsuit against the Company, a director and a former executive officer (the "Motion"). This Motion was filed in the Superior Court of Quebec, district of Montréal (the "Court"). The applicant is seeking to initiate a class action suit to represent the class of persons who were shareholders at May 21, 2010 and who sold their common shares of the Company on May 25 or 26, 2010. This applicant alleges that the Company did not comply with its continuous disclosure obligations as a reporting issuer by failing to disclose certain alleged adverse effects relating to the administration of *EGRIFTA*®. The Company is of the view that the allegations contained in the Motion are entirely without merit and intends to take all appropriate actions to vigorously defend its position.

(in thousands of Canadian dollars, except per share amounts)

19. Contingent liability (continued):

The Motion was heard by the Court in December 2011 and, as at the date hereof, no judgement has been rendered by the Court.

The Company has subscribed to insurance covering its potential liability and the potential liability of its directors and officers in the performance of their duties for the Company subject to a $200 deductible.

20. Supplemental information:

(a) Cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	November 30, 2011 $	November 30, 2010 $
Additions to property and equipment included in accounts payable and accrued liabilities	72	65

In addition, interest received totalled $1,515 (2010 - $2,290).

(b) Restructuring costs:

On June 2, 2011, following a re-evaluation of its R&D business model, the Company announced a restructuring aimed at relying more on external partners in both the private and public sectors in order to bring its R&D projects forward. The restructuring led to a workforce reduction of 25% affecting 24 of its 95 employees, mainly in research and development activities.

The Company recognized a provision of $716 for expected restructuring costs, including employee termination benefits and consulting fees.

Provisions:

	November 30, 2011 $
Balance at November 30, 2010	—
Provisions made during the year	716
Provisions used during the year	(664)
Balance at November 30, 2011	52

21. Financial instruments:

Overview:

This note provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, currency risk and interest rate risk, and how the Company manages those risks.

(a) Credit risk:

Credit risk is the risk of a loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses.

The Company's exposure to credit risk currently relates to accounts receivable with only one customer (see note 5 (a)) and derivative financial assets which it manages by dealing only with a highly-rated Canadian financial institution. Included in the consolidated statements of financial position are trade receivables of $1,364 (2010 - nil), all of which were aged under 60 days. There was no amount recorded as bad debt expense for the year ended November 30, 2011 (nil for the year ended November 30, 2010). Financial instruments other than cash and trade and other receivables that potentially subject the Company to significant credit risk consist principally of bonds. The Company invests its available cash in highly liquid fixed income instruments from governmental, paragovernmental and municipal bodies ($34,288 as at November 30, 2011). As at November 30, 2011, the Company believes it was not exposed to any significant credit risk over the carrying amount of the bonds.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As indicated in the capital management section below, the Company manages this risk through the management of its capital structure. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

The Company has adopted an investment policy in respect of the safety and preservation of its capital designed to ensure the Company's liquidity needs are met. The instruments are selected with regard to the expected timing of expenditures and prevailing interest rates.

(in thousands of Canadian dollars, except per share amounts)

21. Financial instruments:

Overview (continued)*:*

(b) Liquidity risk (continued):

The following are amounts due on the contractual maturities of financial liabilities as at November 30, 2011 and 2010:

	November 30, 2011				
	Total	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	7,129	7,129	7,129	—	—
Provisions	52	52	52	—	—
Forward exchange contracts derivative	16	16	16	—	—
	7,197	7,197	7,197	—	—

	November 30, 2010				
	Total	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	4,977	4,977	4,977	—	—

(c) Currency risk:

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily revenues from milestone payments, sale of goods and expenses incurred in US dollars, euros and pounds sterling ("GBP").

The Company manages currency risk by maintaining cash in US dollars on hand to support US forecasted outflows over a 12-month horizon. The Company does not currently view its exposure to the EURO and GBP as a significant foreign exchange risk due to the limited volume of transactions conducted by the Company in these currencies.

(in thousands of Canadian dollars, except per share amounts)

21. Financial instruments (continued):

Overview (continued):

(c) Currency risk (continued):

In November 2011, the Company entered into two forward foreign exchange contracts to sell, in aggregate, US$1,307 for C$1,319 in January 2012. The fair value of these instruments at November 30, 2011 was a liability of $16. The change in fair value was recorded in finance costs in the consolidated statement of comprehensive income.

Exchange rate fluctuations for foreign currency transactions can cause cash flows as well as amounts recorded in the consolidated statement of comprehensive income to vary from period to period and not necessarily correspond to those forecasted in operating budgets and projections. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar at the rates of exchange at each consolidated statement of financial position date, the impact of which is reported as foreign exchange gain or loss in the consolidated statement of comprehensive income. Given the Company's policy on the management of the Company's US foreign currency risk, the Company does not believe a sudden change in foreign exchange rates would impair or enhance its ability to pay its US dollar denominated obligations.

The following table presents the significant items in the original currencies exposed to currency risk at the following dates:

	November 30, 2011		
	$US	EURO	GBP
Cash	2,386	—	—
Trade and other receivables	1,445	—	—
Accounts payable and accrued liabilities	(1,007)	(31)	(11)
Total exposure from above	2,824	(31)	(11)
Forward exchange contracts	(1,307)	—	—
Net exposure	1,517	(31)	(11)

(in thousands of Canadian dollars, except per share amounts)

21. Financial instruments (continued):

Overview (continued):

(c) Currency risk (continued):

The following table presents the significant items in the original currencies exposed to currency risk at the following dates (continued):

	November 30, 2010		
	$US	EURO	GBP
Cash	25,739	—	1
Trade and other receivables	—	—	—
Accounts payable and accrued liabilities	(453)	(20)	(50)
Net exposure	25,286	(20)	(49)

The following exchange rates are those applicable to the following periods and dates:

	November 30, 2011		November 30, 2010	
	Average rate	Reporting date rate	Average rate	Reporting date rate
$US - C$	0.9879	1.0203	1.0345	1.0266
EURO - C$	1.3754	1.3706	1.3848	1.3326
GBP - C$	1.5844	1.6009	1.6051	1.5969

Based on the Company's foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the Canadian dollar would have increased the net (loss) profit as follows, assuming that all other variables remained constant:

	November 30, 2011			November 30, 2010		
	$US	EURO	GBP	$US	EURO	GBP
Increase in net (loss) profit	76	(2)	(1)	1,264	(1)	(2)

An assumed 5% weakening of the Canadian dollar would have had an equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

21. Financial instruments (continued):

Overview (continued):

(d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Short-term bonds held by the Company are invested at fixed interest rates and/or mature in the short-term. Long-term bonds are also instruments that bear interest at fixed rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its bonds is limited because these investments, although they are classified as available for sale, are generally held to maturity. The unrealized gains or losses on bonds are recorded in accumulated other comprehensive income.

Based on the value of the Company's short and long-term bonds at November 30, 2011, an assumed 0.5% decrease in market interest rates would have increased the fair value of these bonds and the accumulated other comprehensive income by approximately $440; an assumed increase in interest rate of 0.5% would have an equal but opposite effect, assuming that all other variables remained constant.

Cash bears interest at a variable rate. Trade and other receivables, accounts payable and accrued liabilities and provisions bear no interest.

Based on the average value of variable interest-bearing cash during the year ended November 30, 2011 ($3,726), an assumed 0.5% increase in interest rates during such period would have increased future cash flow and decrease net loss by approximately $19; an assumed decrease of 0.5% would have had an equal but opposite effect.

22. Capital management:

The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, general and administrative expenses, working capital and capital spending.

To fund its activities, the Company relied primarily on public offerings of common shares in Canada and private placements of its common shares as well as up-front payments and milestone payments primarily associated with EMD Serono. When possible, the Company optimizes its liquidity position using non-dilutive sources, including investment tax credits, grants and interest income. With the market launch of *EGRIFTA*® in fiscal 2011, the Company receives additional revenues in the form of product sales and royalties.

The Company has a $3,800 credit facility for its short-term financing needs which was unused at November 30, 2011 (see note 24 (c)).

22. Capital management (continued):

The capital management objectives remain the same as for the previous year.

At November 30, 2011, cash and bonds amounted to $36,787 and tax credits and grants receivable amounted to $346, for a total of $37,133. The Company believes that its cash position will be sufficient to finance its operations and capital needs for the next year.

Currently, the Company's general policy on dividends is to retain cash to keep funds available to finance the Company's growth.

The Company is not subject to any externally imposed capital requirements.

23. Determination of fair values:

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets and liabilities:

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash, trade and other receivables as well as accounts payable and accrued liabilities and provisions, approximate their fair value because of the relatively short period to maturity of the instruments.

Bonds and derivative financial assets and liabilities are stated at estimated fair value, determined by inputs that are primarily based on broker quotes at the reporting date (Level 2).

(in thousands of Canadian dollars, except per share amounts)

23. Determination of fair values (continued):

Share-based payment transactions:

The fair value of the employee stock options is measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions, if any, are not taken into account in determining fair value.

24. Commitments:

(a) Leases:

At November 30, 2011 and 2010, the minimum payments required under the terms of the non-cancellable lease are as follows:

	November 30, 2011 $	November 30, 2010 $
Less than one year	136	55
Between one and five years	2,311	2,239
More than five years	3,215	3,943
	5,662	6,237

(b) Long-term procurement agreements:

As at November 30, 2011, the Company had entered into long-term procurement agreements with third-party suppliers in connection with the commercialization of *EGRIFTA*®. As at November 30, 2011, the Company had outstanding purchase orders under these agreements amounting to $6,773 for the manufacture of *EGRIFTA*® for delivery in the fiscal years 2012 and 2013.

(c) Credit facility:

The Company has a $1,800 revolving credit facility, bearing interest at prime plus 0.5%. Under the term of the credit facility, the market value of investments held must always be equivalent to 150% of amounts drawn under the facility. If the market value falls below $7,000, the Company will provide the bank with a first rank movable hypothec (security interest) of $1,850 on securities judged satisfactory by the bank.

The Company also has a $2,000 line of net risk for derivative instruments.

(in thousands of Canadian dollars, except per share amounts)

24. Commitments (continued):

(c) Credit facility (continued):

As at November 30, 2011 and 2010, the Company did not have any borrowings outstanding under these credit facilities.

25. Operating segments:

The Company has a single operating segment. As described in note 5 (a), all of the Company's revenues are generated from one customer, EMD Serono, which is domiciled in the United States.

All of the Company's non-current assets are located in Canada, the Company's headquarters.

26. Related parties:

The Company has a related party relationship with its wholly-owned subsidiaries. There are no transactions between the Company and its subsidiaries.

The key management personnel of the Company are the Directors, including the president and chief executive officer and the chief financial officer.

Key management personnel compensation comprised:

	Note	November 30, 2011 $	November 30, 2010 $
Short-term employee benefits		2,616	1,891
Post-employment benefits		64	61
Share-based compensation	16 (v)	1,103	331
		3,783	2,283

Directors of the Company control 1.1% of the voting shares of the Company.

Loans granted to key management personnel under share purchase plan (note 16 (iv)) amount to nil as at November 30, 2011 ($22 as at November 30, 2010).

27. Subsequent events:

Restructuring:

On December 7, 2011, the Company announced that it was discontinuing its clinical program evaluating tesamorelin in muscle wasting associated with COPD, resulting in the lay-off of 37 employees; and that it was accelerating its development of a second generation growth-hormone releasing factor. The Company estimated that these initiatives would translate into cost savings of approximately $10,000 in 2012.

(in thousands of Canadian dollars, except per share amounts)

27. Subsequent events (continued):

Restructuring (continued):

After the restructuring, the Company will occupy approximately 50% of the premises it previously occupied under the lease as described in note 18 and 20 (a). An onerous lease provision of $4,055 is therefore expected to be recorded in the first quarter of 2012, which includes a provision for the future lease costs of the vacant portion of the premises, net of estimated of sublease rentals that could reasonably be obtained. The provision in based on management's best estimates of sublease rates that have yet to be negotiated, the timing of a sublease transaction, discount rates and other factors.

The following restructuring costs are expected to be recorded in the first quarter of 2012 and are subject to change as the Company finalizes its analysis:

	$
Onerous lease provision	4,055
Employee termination benefits	1,325
Termination of the COPD Clinical Program	1,000
Other fees	200
	6,580

It is expected that, except for the onerous lease provision, these restructuring costs will mainly be disbursed during the first quarter of 2012.

Stock option plan:

Between December 1, 2011 and February 6, 2012, 72,667 options were forfeited and expired at a weighted exercise average price of $8.92 per share. Furthermore, 104,503 options were exercised at a weighted exercise average price of $1.81 per share for a cash consideration of $189.

Deferred stock unit plan:

Between December 1, 2011 and February 6, 2012, 105,042 DSU were granted and a related expense of $250 will be recorded in the first quarter of 2012.

On December 2, 2011, the two cash settled forward stock contracts (note 16 (ii)) have been amended to expire in November 2012. To protect against fluctuation in the value of the DSU's, the Company entered into another cash settled forward stock contract on December 12, 2011. The Company paid $247 as advance payment on the contract. This amount corresponds to 101,822 common shares of the Company at a price of $2.42.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis, or MD&A, provides Management's point of view on the financial position and results of operations of Theratechnologies Inc., on a consolidated basis, for the twelve-month periods ended November 30, 2011, or Fiscal 2011, and November 30, 2010, or Fiscal 2010. Unless otherwise indicated or unless the context requires otherwise, all references in this MD&A to "Theratechnologies", the "Company", the "Corporation", "we", "us", "our" or similar terms refer to Theratechnologies Inc. and its subsidiaries on a consolidated basis. This MD&A is dated February 7, 2012 and should be read in conjunction with the audited consolidated financial statements and the notes thereto. Unless specified otherwise, all amounts are in Canadian dollars.

In this MD&A, the use of *EGRIFTA*™ refers to tesamorelin for the reduction of excess abdominal in HIV-infected patients with lipodystrophy regardless of the trade name used for such product in any particular territory. *EGRIFTA*™ is the trade name used in the United States for tesamorelin for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy. *EGRIFTA*™ is our trademark.

Except as otherwise indicated, the financial information contained in this MD&A and in our audited consolidated financial statements has been prepared in accordance with International Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

The audited consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by our Board of Directors.

Forward-Looking Information

This MD&A contains certain statements that are considered "forward-looking information" within the meaning of applicable securities legislation, which statements may contain words such as "will", "may", "could", "should", "outlook", "believe", "plan", "envisage", "anticipate", "expect" and "estimate", or the negatives of these terms, or variations of them. This forward-looking information includes, but is not limited to, information regarding the regulatory approval of tesamorelin for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy in various territories outside of the United States, the maximization of the commercial value of *EGRIFTA*™, the value of the decrease in our payroll expenses for fiscal 2012, and our ability to discover and develop new growth hormone releasing factor peptides, or GRF peptides.

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These assumptions made in preparing the forward-looking information include, but are not limited to, the assumption that tesamorelin for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy will receive approvals in various territories outside the United States, that no additional clinical studies will be required to obtain these regulatory approvals, that *EGRIFTA*™ will be accepted by the marketplace in these territories and will be on the list of reimbursed drugs by third-party payers in these territories, that the relationship with our commercial partners and third-party suppliers will be conflict-free and that such third-party suppliers will have enough capacity to manufacture and supply *EGRIFTA*™ to meet demand and on a timely basis, that we will have the capacity to discover and develop new GRF peptides, that the prescription base in the United States for *EGRIFTA*™ will continue to grow, that our estimates of cost savings related to payroll reductions are accurate, and that our old inventory of stock will soon be depleted. These risks and uncertainties include, but are not limited to, the risk that tesamorelin is not approved in all or some of the territories where our commercial partners will file marketing applications, that revenues and royalties generated from sales of *EGRIFTA*™ are lower than

anticipated, that conflicts occur with our commercial partners jeopardizing the commercialization of *EGRIFTA*™, that the supply of *EGRIFTA*™ to our commercial partners is delayed or suspended as a result of problems with our third-party suppliers, that *EGRIFTA*™ is withdrawn from the market as a result of defects or recalls, that our intellectual property is not adequately protected, that even if approved, *EGRIFTA*™ is not accepted in the marketplace or is not on the list of reimbursed drugs by third-party payers, that the cost savings anticipated following our restructuring do not materialize, and that we are unable to discover and develop new GRF peptides.

We refer potential investors to the "Risks and Uncertainties" section of this MD&A. The reader is cautioned to consider these and other risks and uncertainties carefully and not to put undue reliance on forward-looking information. Forward-looking information reflects current expectations regarding future events and speaks only as of the date of this MD&A and represents our expectations as of that date.

We undertake no obligation to update or revise the information contained in this MD&A, whether as a result of new information, future events or circumstances or otherwise, except as may be required by applicable law.

Business Overview

We are a specialty pharmaceutical company that discovers and develops innovative therapeutic peptide products, with an emphasis on GRF peptides.

Our first product, *EGRIFTA*™ (tesamorelin for injection), was approved by the United States Food and Drug Administration, or FDA, in November 2010 and is, to date, the only approved therapy for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy. *EGRIFTA*™ is currently marketed in the United States by EMD Serono, Inc., or EMD Serono, pursuant to a collaboration and licensing agreement executed in October 2008. EMD Serono launched *EGRIFTA*™ on January 10, 2011.

2011 Business Plan

We achieved measurable progress on all three of our principal business plan objectives in 2011. They were:

- to maximize the global commercial value of *EGRIFTA*™ by working closely with our commercial partners;
- to launch a Phase 2 clinical program evaluating tesamorelin for the treatment of muscle wasting associated with chronic obstructive pulmonary disease, or COPD; and
- to solidify our position as a leader in the field of novel GRF products by discovering and developing new GRF peptides.

In light of the changing nature of our business following the FDA approval of *EGRIFTA*™, we also undertook a re-evaluation of our research and development, or R&D, business model in the first half of the year. Following this review, on June 2, 2011, we announced a restructuring aimed at relying more on external partners in both the private and public sectors to bring our R&D projects forward. The restructuring increased our flexibility in pursuing R&D objectives and led to a workforce reduction affecting 24 of our 95 employees.

Maximization of the Global Commercial Value of *EGRIFTA*™

During the first quarter of 2011, we concluded two distribution and licensing agreements for tesamorelin outside of the United States. We signed a distribution and licensing agreement with an affiliate of sanofi-aventis, or Sanofi, in December 2010, granting them exclusive commercialization rights to tesamorelin for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy in Latin America, Africa and the Middle East. Sanofi subsequently filed for regulatory approvals of tesamorelin for the treatment of excess abdominal fat in HIV-infected patients in Israel on July 5, 2011, in Brazil on August 31, 2011, in Argentina on September 1, 2011, and in Mexico on October 19, 2011.

The second agreement was signed in February 2011 with Ferrer Internacional S.A., or Ferrer, granting them exclusive commercialization rights to tesamorelin for the treatment of excess abdominal fat in HIV-infected patients with lipodystrophy in Europe, Russia, South Korea, Taiwan, Thailand and certain central Asian countries. On June 6, 2011, Ferrer filed a Marketing Authorization Application, or MAA, with the European Medicines Agency, or EMA, for tesamorelin proposed for the treatment of excess abdominal fat in adult HIV-infected patients with lipodystrophy. The MAA was accepted for review by the EMA on June 27, 2011. If approved, tesamorelin will receive marketing authorization for the 27 European Union member countries as well as for Iceland, Liechtenstein and Norway.

On June 20, 2011, we announced the filing of a New Drug Submission, or NDS, with the Therapeutic Products Directorate of Health Canada for *EGRIFTA*™ (tesamorelin for injection). The NDS was accepted for review on July 16, 2011.

Phase 2 Clinical Program in COPD

On February 22, 2011, we announced a new clinical program, and launched same on September 6, 2011, evaluating tesamorelin in COPD, a seriously debilitating condition suffered by an estimated 3.1 million patients in North America, Western Europe and Japan. The multi-center Phase 2 study was to evaluate two different doses using a new formulation of tesamorelin in approximately 200 patients.

New GRF Peptides

In 2011, our discovery team synthesized approximately 250 GRF peptides in order to find successors to tesamorelin with improved properties. On October 6, 2011, we announced the discovery of a new GRF peptide, which may prove to be suitable for the treatment of a broader range of medical indications, using methods of administration that are more patient-friendly than tesamorelin. Feasibility studies to explore this new GRF's potential are ongoing.

Review of Strategy in Light of Unfavorable Market Conditions (Subsequent Event)

As part of our planning and budget process, at year-end we reviewed our plans for 2012 in the context of current market conditions. The company continued to enjoy a strong financial position; and sales of *EGRIFTA*™ in the U.S. market were growing steadily and on track to reach our year-end target of 3,000 - 3,500 new prescriptions. However, the state of the economy was far from certain. In the latter half of the year, financial markets became increasingly volatile and the stock prices of small-cap biotechnology companies, particularly those with recent product launches like Theratechnologies, were hit hard.

On December 6, 2011, the Board of Directors met to consider the available options and decided that the best course of action was to restructure the business and concentrate the Company's efforts on *EGRIFTA*™ and on developing the new GRF peptide while accelerating the path to profitability. The following day, we announced that we were discontinuing our clinical program in COPD and significantly downsizing our business. The Board also adopted a plan aimed at lowering its own costs by 50%. The overall objective of the restructuring is to achieve positive earnings before interest, taxes, depreciation and amortization, or EBITDA, by 2013. The announced initiatives, which are expected to yield significant operating cost savings in future years, will trigger certain charges in 2012. See "Subsequent Events" below.

Financial Position

On February 22, 2011, we filed a preliminary prospectus aimed at raising equity and concurrently listing our common shares on the NASDAQ stock exchange in the United States. The offering was subsequently withdrawn because the offering price proved to be more dilutive than we were prepared to accept at the time. However, we did proceed with the NASDAQ listing and our stock began trading on June 16, 2011 under the symbol "THER".

We completed Fiscal 2011 with a strong liquidity position of $37,133,000, consisting of $36,787,000 of cash and bonds and $346,000 of tax credits and grants receivable. Our funds are invested in liquid, low-risk instruments as described under "Liquidity and Capital Resources".

Outlook for 2012

Moving forward, our two principal operating objectives - maximizing the global commercial value of *EGRIFTA*™ and developing the new GRF peptide - are cornerstones of our plan to build value for shareholders in 2012 and beyond. Specifically, our 2012 operating goals are to:

- assist our commercial partners in obtaining additional regulatory approvals for *EGRIFTA*™ quickly and in as many markets as possible; and
- initiate feasibility studies testing new methods of administration for the new GRF peptide and undertake pre-clinical testing of the compound in anticipation of launching a Phase 1 clinical trial in the second half of 2013.

Selected Annual Information

Consolidated statement of comprehensive income years ended November 30 (in thousands of Canadian dollars, except per share amounts)	2011	2010	2009
Revenue[(1)]	**$ 14,928**	**$31,868**	**$ 17,468**
Research and development expenses, net of tax credits	**$ 10,992**	**$14,064**	**$ 20,810**
Results from operating activities	**$(18,768)**	**$ 6,663**	**$(16,747)**
Net finance income	**$ 966**	**$ 2,381**	**$ 1,591**
Net (loss) profit	**$(17,730)**	**$ 8,930**	**$(15,156)**
Basic and diluted (loss) earnings per share	**$ (0.29)**	**$ 0.15**	**$ (0.25)**

Consolidated statement of financial position at November 30 (in thousands of Canadian dollars)	2011	2010	2009
Cash and current and non-current bonds	**$36,787**	**$64,550**	**$63,362**
Tax credits and grants receivable	**$ 346**	**$ 332**	**$ 1,333**
Total assets	**$52,873**	**$71,651**	**$69,154**

Consolidated statement of financial position at November 30 (in thousands of Canadian dollars)	2011	2010	2009
Total share capital	**$280,488**	**$279,398**	**$279,169**
Total equity	**$ 36,343**	**$ 52,656**	**$ 43,048**

(1) Revenue in 2009 includes a milestone payment of $10,884,000 received from EMD Serono following the FDA's acceptance to file our New Drug Application, or NDA, for *EGRIFTA*™. Revenue in 2010 includes a milestone payment of $25,000,000 received from EMD Serono following marketing approval of *EGRIFTA*™ by the FDA. Revenue in 2011 includes revenue generated from the sales of *EGRIFTA*™ to EMD Serono for re-sale and royalties received from EMD Serono on U.S. sales to customers.

Operating Results

Revenue

Consolidated revenue for the year ended November 30, 2011 amounted to $14,928,000 compared to $31,868,000 in 2010. Revenue in 2010 included a milestone payment of $25,000,000 received from EMD Serono on November 30, 2010 associated with the satisfaction of the condition of approval of *EGRIFTA*™ by the FDA. Revenue in 2011 includes revenue generated from the sales of *EGRIFTA*™ to EMD Serono for re-sale and royalties received from EMD Serono on U.S. sales to customers. There were no product sales or royalties received from EMD Serono in 2010.

Under the terms of our agreement, we supply *EGRIFTA*™ to EMD Serono for resale. The revenue generated from these sales amounted to $8,351,000 in Fiscal 2011.

Royalties on sales are paid quarterly in arrears based on the calendar year. In Fiscal 2011, we received royalty and license fees revenue of $1,423,000 for the selling period from January 1, 2011 to September 30, 2011. Royalty revenue grew throughout the year due to an increase in the prescription base, which includes both new and repeat prescriptions.

Revenue also includes the amortization of the initial payment of $27,097,000 received upon the closing of the agreement with EMD Serono in 2008. For the year ended November 30, 2011, an amount of $5,134,000 was recognized as revenue related to this transaction, compared to $6,846,000 in 2010. The lower amount for the current year reflects a change in the service period attributed to the initial payment. Prior to the second quarter of 2011, the initial payment was to be fully amortized by year-end 2012. However, the addition of some further development work has caused us to extend the service period to year-end 2013. At November 30, 2011, the remaining deferred revenue related to this transaction recorded on the consolidated statement of financial position amounted to $8,558,000.

Cost of Sales

For the year ended November 30, 2011, the cost of sales of *EGRIFTA*™ totalled $9,146,000. There were no *EGRIFTA*™ sales in Fiscal 2010; however, we began production through our third-party suppliers late in that year in anticipation of the *EGRIFTA*™ launch in the United States. Costs related to this activity and other unallocated costs related to the start-up of the manufacturing process amounted to $469,000 in 2010.

The cost of sales slightly exceeded sales revenue in 2011. *EGRIFTA*™ sales are expected to become profitable when our old inventory is depleted and when the costs associated with validating additional suppliers are behind us. Cost of sales is detailed in note 7 "Cost of sales" of our audited consolidated financial statements for the year ended November 30, 2011.

R&D Expenses

R&D expenses, net of tax credits, totalled $10,992,000 for the year ended November 30, 2011 compared to $14,064,000 in 2010, a decrease of 21.8%. R&D expenses incurred in 2011 were related to the Phase 2 clinical trial evaluating tesamorelin in muscle wasting associated with COPD, to the work on a new formulation and a new presentation of *EGRIFTA*™ and to the development of novel GRF peptides. R&D expenses also include the cost of filing an NDS in Canada, all regulatory and clinical activities to support our three commercial partners, and follow-up on post-approval commitments made to the FDA. R&D expenses incurred in 2010 were mainly related to the pursuit of the regulatory approval of *EGRIFTA*™ by the FDA. The lower R&D expenses in 2011 are due to changes in the nature of the activities undertaken, the staff reductions implemented in June, as well as lower bonus payments.

Selling and Market Development Expenses

Selling and market development expenses amounted to $2,019,000 for the year ended November 30, 2011, compared to $2,670,000 in 2010, a decrease of 24.4%. The decrease reflects the execution of distribution and licensing agreements with Sanofi and Ferrer in the first quarter of 2011, which transferred responsibility for all marketing expenses to these licensees, as well as lower bonus payments. Current selling and market development expenses are largely associated with the management of the agreements with our three commercial partners.

General and Administrative Expenses

General and administrative expenses amounted to $10,823,000 in 2011 compared to $8,002,000 in 2010. The higher expenses in 2011 include $1,881,000 in costs associated with the planned public offering of shares, costs related to the change in leadership of the Company, and the cost of listing our shares on NASDAQ. These increased expenses were partially offset by staff reductions and lower bonus payments.

Restructuring Costs

Following a re-evaluation of our R&D business model, we announced a restructuring on June 2, 2011, aimed at relying more on external partners in both the private and public sectors in order to bring our R&D projects forward. The restructuring led to a workforce reduction of 25%, affecting 24 of our 95 employees. As a result, we incurred restructuring costs of $716,000 in the third quarter of 2011. The restructuring resulted in a reduction in payroll expenses of approximately $1,000,000 for Fiscal 2011.

Net Financial Income

Finance income for the year ended November 30, 2011 was $1,602,000 compared to $1,888,000 in 2010. Interest revenues for 2011 were generally lower than 2010 due to a gradual decline in the portfolio size as investments were used to fund operations.

Finance costs for 2011 were $636,000 compared to finance income of $493,000 in 2010. The finance costs in 2011 include a foreign exchange loss incurred in the first quarter, upon receipt and translation to Canadian dollars of a US$25,000,000 milestone payment from EMD Serono. The milestone payment had originally been translated into the functional currency of the Company at the more favorable exchange rate in effect at year-end fiscal 2010 resulting in an exchange gain of $511,000.

Net Results

Taking into account the revenue and expenses described above, we recorded a net loss of $17,730,000 or $0.29 per share in 2011 compared to a net profit of $8,930,000 or $0.15 per share in 2010. The net profit in 2010 was principally due to milestone-payment revenue of US $25,000,000 related to the collaboration and licensing agreement with EMD Serono.

Quarterly Financial Information

The following table is a summary of our unaudited consolidated operating results presented in accordance with IFRS for the last eight quarters.

(In thousands of dollars, except per share amounts)

	2011				2010			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sale of goods	**$ 2,670**	**$ 1,878**	**$ 2,005**	**$ 1,798**	—	—	—	—
Upfront and milestone payments	**$ 1,069**	**$ 1,070**	**$ 1,284**	**$ 1,711**	$26,711	$ 1,711	$ 1,712	$ 1,711
Royalties and license fees	**$ 671**	**$ 569**	**$ 194**	**$ 9**	$ 6	$ 6	$ 5	$ 6
Revenue	**$ 4,410**	**$ 3,517**	**$ 3,483**	**$ 3,518**	$26,717	$ 1,717	$ 1,717	$ 1,717
Net (loss) profit	**$(1,687)**	**$(4,170)**	**$(5,941)**	**$(5,932)**	$21,299	$(3,357)	$(4,771)	$(4,241)
Basic and diluted (loss) earnings per share	**$ (0.03)**	**$ (0.07)**	**$ (0.10)**	**$ (0.10)**	$ 0.35	$ (0.06)	$ (0.08)	$ (0.07)

As described above, revenue in the fourth quarter of 2011 includes sales of *EGRIFTA*™ to EMD Serono for resale. Revenues in the second, third, and fourth quarters of 2011 also include royalties received from EMD Serono on U.S. sales of *EGRIFTA*™ from product launch to September 30, 2011. Revenue also includes the amortization of the initial payment of $27,097,000 received upon the closing of the agreement with EMD Serono. Decreases in the amortization amounts for the current year reflect a change in the service period attributed to the initial payment.

Higher revenue in the fourth quarter of 2010 is related to the receipt of a milestone payment of $25,000,000 from EMD Serono following the marketing approval of *EGRIFTA*™ by the FDA.

Fourth Quarter Comparison

Consolidated revenue for the three months ended November 30, 2011 amounted to $4,410,000 compared to $26,717,000 for the same period in 2010. Revenue in 2010 included a milestone payment of $25,000,000 received from EMD Serono on November 30, 2010 associated with the satisfaction of the condition of approval of *EGRIFTA*™ by the FDA. Revenue in 2011 includes revenue generated from the sales of *EGRIFTA*™ to EMD Serono for re-sale and royalties received from EMD Serono on U.S. sales to customers. There were no product sales and no royalties received from EMD Serono in 2010.

The cost of sales for the three months ended November 30, 2011 was $2,018,000. Even though there were no *EGRIFTA*™ sales in 2010, we began production through our third-party suppliers late in the year in anticipation of the *EGRIFTA*™launch in the United States. Costs related to this activity and other unallocated costs related to the start-up of the manufacturing process amounted to $349,000 in the comparable period of 2010.

R&D expenses, net of tax credits, totalled $2,020,000 for the three months ended November 30, 2011 compared to $3,172,000 for the same period in 2010, a decrease of 36.3%. R&D expenses incurred in 2011 were related to the Phase 2 clinical trial evaluating tesamorelin in muscle wasting associated with COPD, to the work on a new formulation and a new presentation of *EGRIFTA*™ and to the development of novel GRF peptides. R&D expenses also include regulatory and clinical activities to support our three commercial partners, and follow-up on post-approval commitments made to the FDA. R&D expenses incurred in the prior-year period were mainly related to the pursuit of the regulatory approval of *EGRIFTA*™ by the FDA.

General and administrative expenses amounted to $1,789,000 in the three months ended November 30, 2011, compared to $2,036,000 in the comparable period of 2010, reflecting variations in salaries paid and lower bonus payments.

Selling and market development expenses were $530,000 for the three months ended November 30, 2011, compared to $761,000 in the comparable period of 2010, a decrease of 30.4%. The decrease results primarily from the execution of distribution and licensing agreements with Sanofi and Ferrer in the first quarter of 2011, which transferred responsibility for all marketing expenses to these licensees. Selling and market development expenses continue to include activities associated with the management of the agreements with our three commercial partners.

Net financial income for the three months ended November 30, 2011 was $285,000, compared to $1,014,000 in 2010. The prior-year period includes an exchange gain of $511,000 recorded upon the conversion of the $25,000,000 EMD Serono milestone payment from U.S. dollars to Canadian dollars. In addition, interest revenues for 2011 were generally lower than 2010 due to a gradual decline in the portfolio size as investments were used to fund operations.

Consequently, we recorded a net loss of $1,687,000, or $0.03 per share in the three months ended November 30, 2011 compared to a net profit of $21,299,000 or $0.35 per share in 2010. The net profit in 2010 is principally due to the milestone payment of $25,000,000 received from EMD Serono.

In the three months ended November 30, 2011, the use of cash in operating activities amounted to $2,322,000 compared to cash inflows from operating activities of $21,501,000 in 2010, reflecting the impact of the $25,000,000 milestone payment received in the prior-year period.

Liquidity and Capital Resources

Our objective in managing capital is to ensure a sufficient liquidity position to finance our R&D activities, general and administrative expenses, working capital and capital spending.

Prior to 2011, we funded our activities by relying primarily on public offerings of common shares in Canada and private placements of our common shares as well as on up-front payments and milestone payments primarily associated with the agreement with EMD Serono. When possible, we try to optimize our liquidity position using non-dilutive sources, including investment tax credits, grants and interest income. With the market launch of *EGRIFTA*™ in Fiscal 2011, we now receive additional revenues in the form of product sales and royalties.

For the year ended November 30, 2011, the use of cash in operating activities was $27,218,000 compared to cash inflows from operating activities of $2,900,000 in Fiscal 2010. The use of cash in 2011 reflected increases in inventory levels of $6,415,000 and increases in trade and other receivables of $1,623,000. The cash flow generated in Fiscal 2010 was principally due to the milestone payment of $25,000,000 received from EMD Serono.

In Fiscal 2011, the Company received share subscriptions amounting to $34,000 ($15,000 in fiscal 2010) for the issuance of 7,837 common shares (2,880 in 2010) in connection with the Share Purchase Plan. In addition, 344,665 stock options were exercised in Fiscal 2011 for cash consideration of $668,000.

As at November 30, 2011, cash and bonds amounted to $36,787,000 and tax credits and grants receivable amounted to $346,000, for a total liquidity position of $37,133,000. We invest our available cash in highly liquid fixed income instruments from governmental, municipal and paragovernmental bodies ($34,288,000 at November 30, 2011).

Apart from our $3,800,000 of unused credit facilities, we do not have any additional arrangements for external debt financings. We may seek additional capital through the incurrence of debt, the issuance of equity or other financing alternatives.

Contractual Obligations

Commitments

We rent our headquarters and main office pursuant to a lease expiring in April 2021. At November 30, 2011 and 2010, the minimum payments required under the terms of the non-cancellable lease were as follows:

(in thousands of Canadian dollars)

	November 30, 2011	November 30, 2010
	$	$
Less than one year	136	55
Between one and three years	1,310	1,310
Four - five years	1,001	928
After five years	3,215	3,944
Total	5,662	6,237

Long-Term Procurement Agreements

As at November 30, 2011, we had entered into long-term procurement agreements with third-party suppliers in connection with the commercialization of *EGRIFTA*™. As at November 30, 2011, we had outstanding purchase orders under these agreements amounting to $6,773,000 for the manufacture of *EGRIFTA*™ for delivery in the fiscal years 2012 and 2013.

Credit Facilities

We have a $1,800,000 revolving credit facility, bearing interest at prime plus 0.5%. Under the terms of the revolving credit facility, the market value of investments held must always be equivalent to 150% of amounts drawn under the facility. If the market value falls below $7,000,000, we will provide the bank with a first ranking movable hypothec (security interest) of $1,850,000 on securities judged satisfactory by the bank.

We also have a $2,000,000 line of net risk for derivative instruments.

As at November 30, 2011, we did not have any borrowings outstanding under these credit facilities.

Post-Approval Commitments

In connection with its approval of *EGRIFTA*™, the FDA has required the following three post-approval commitments:

- a single vial formulation of *EGRIFTA*™ (the development of a new presentation of the same formulation);
- a long-term observational safety study using *EGRIFTA*™; and
- a Phase 4 clinical trial using *EGRIFTA*™.

We have developed a new presentation of *EGRIFTA*™, which is more user-friendly than its current presentation. The new presentation uses the same formulation and will be available as a single unit dose (one vial containing 2 mg of tesamorelin) of sterile, lyophilized powder to be reconstituted with sterile water for injection. This new presentation complies with the first of the FDA's post-approval requirements and is required to be available by November 2013.

The long-term observational study required by the FDA is to evaluate the safety of long-term administration of *EGRIFTA*™ while the Phase 4 clinical trial is to assess whether *EGRIFTA*™ has an impact on diabetic retinopathy in diabetic HIV-infected patients with lipodystrophy and excess abdominal fat. Protocols for both studies were submitted to the FDA by EMD Serono. The protocol for the Phase 4 clinical trial has been approved and the protocol for the long-term observational study is under review by the FDA.

Contingent Liability

On July 26, 2010, we received a motion of authorization to institute a class action lawsuit, or Motion, against the Company, a director and a former executive officer. This Motion was filed in the Superior Court of Quebec, district of Montreal, or Court. The applicant is seeking to initiate a class action suit to represent the class of persons who were shareholders at May 21, 2010 and who sold their common shares of the Company on May 25 or 26, 2010. This applicant alleges that the Company did not comply with its continuous disclosure obligations as a reporting issuer by failing to disclose certain alleged adverse effects relating to the administration of *EGRIFTA*™. The Company is of the view that the allegations contained in the Motion are entirely without merit and intends to take all appropriate actions to vigorously defend its position.

The Motion was heard by the Court in December 2011 and, as of the date of this MD&A, no judgement has been rendered by the Court.

The Company has subscribed to insurance covering its potential liability and the potential liability of its directors and officers in the performance of all their duties for the Company subject to a $200,000 deductible.

Off-Balance Sheet Arrangements

We were not involved in any off-balance sheet arrangements for the year ended November 30, 2011, with the exception of the lease of our headquarters as described above.

Subsequent Events

Restructuring

On December 7, 2011, we announced that we were discontinuing our clinical program evaluating tesamorelin in muscle wasting associated with COPD, resulting in the lay-off of 37 employees; and that we were accelerating the development of our new GRF peptide. We estimated that these initiatives would translate into cost savings of approximately $10,000,000 in 2012.

Following the announcement, further analysis by management concluded that after the restructuring the Company will occupy approximately fifty percent of the premises it previously occupied under the lease as described in note 18 and 24 (a) of the audited consolidated financial statements. An onerous lease provision of $4,055,000 is therefore expected to be recorded in the first quarter of 2012, which includes a provision for the future lease costs of the vacant portion of the premises, net of estimated of sublease rentals that could reasonably be obtained. The provision is based on management's best estimates of sublease rates that have yet to be negotiated, the timing of a sublease transaction, discount rates and other factors.

The following restructuring costs are expected to be recorded in the first quarter of 2012 and are subject to change as the Company finalizes its analysis:

Onerous lease provision	4,055,000
Employee termination benefits	$1,325,000
Termination of the COPD Clinical Program	$1,000,000
Other fees	$ 200,000
	6,580,000

It is expected that, except for the onerous lease provision, these restructuring costs will mainly be disbursed during the first quarter of 2012.

Stock Option Plan

Between December 1, 2011 and February 6, 2012, 72,667 options were forfeited and expired at a weighted exercise average price of $8.92 per share. Furthermore, 104,503 stock options were exercised at a weighted exercise average price of $1.81 per share for a cash consideration of $189,000.

Deferred Stock Unit Plan

Between December 1, 2011 and February 6, 2012, 105,042 deferred stock units, or DSU, were granted and a related expense of $250,000 will be recorded in the first quarter of 2012.

To protect against fluctuation in the value of the DSU's, we entered into a cash settled forward stock contract. We paid $247,000 as advance payment on the contract. This amount corresponds to 101,822 common shares of the Company at a price of $2.42. On December 2, 2011, the two cash settled forward stock contracts (note 16 (ii) of the consolidated financial statements) have been amended to expire in November 2012.

Financial Risk Management

This section provides disclosure relating to the nature and extent of our exposure to risks arising from financial instruments, including credit risk, liquidity risk, currency risk and interest rate risk, and how we manage those risks.

Credit Risk

The Company's exposure to credit risk currently relates to accounts receivable from only one customer (see note 5 (a) of the audited consolidated financial statements) and derivative financial assets which it manages by dealing with highly-rated Canadian financial institutions. Credit risk is the risk of a loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. We regularly monitor credit risk exposure and take steps to mitigate the likelihood of this exposure resulting in losses.

Financial instruments other than cash and trade and other receivables that potentially subject the Company to significant credit risk consist principally of bonds. We invest our available cash in highly liquid fixed income instruments from governmental, paragovernmental and municipal bodies ($34,288,000 as at November 30, 2011). As at November 30, 2011, we believe we were not exposed to any significant credit risk over the carrying amount of the bonds.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. We manage liquidity risk through the management of our capital structure, as outlined under “Liquidity and Capital Resources”. We also manage liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves our operating and capital budgets, as well as any material transactions out of the ordinary course of business.

We have adopted an investment policy in respect of the safety and preservation of capital to ensure that our liquidity needs are met. The instruments are selected with regard to the expected timing of expenditures and prevailing interest rates.

The required payments on the contractual maturities of financial liabilities, as well as the payments required under the terms of the operating lease, as at November 30, 2011, are presented in notes 18 and 24(a) of the audited consolidated financial statements.

Currency Risk

We are exposed to financial risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of our business transactions denominated in currencies other than the Canadian dollar, primarily revenues from milestone payments, sale of goods and expenses incurred in U.S. dollars, euros and pounds sterling, or GBP.

We manage currency risk by maintaining cash in U.S. dollars on hand to support U.S. forecasted outflows over a 12-month period. We do not currently view our exposure to the euro and GBP as a significant foreign exchange risk due to the limited volume of transactions conducted by the Company in these currencies.

In November 2011, we entered into two forward foreign exchange contracts to sell, in aggregate, US$1,307,000 for C$1,319,000 in January 2012. The fair value of these instruments at November 30, 2011 was a liability of $16,000. The change in fair value was recorded in finance costs in the consolidated statements of comprehensive income.

Exchange rate fluctuations for foreign currency transactions can cause cash flow as well as amounts recorded in consolidated statement of comprehensive income to vary from period to period and not necessarily correspond to those forecasted in operating budgets and projections. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar at the rates of exchange at each consolidated statement of financial position date, the impact of which is reported as foreign exchange gain or loss in the consolidated statement of comprehensive income. Given our policy on the management of our U.S. foreign currency risk, we do not believe a sudden change in foreign exchange rates would impair or enhance our ability to pay our U.S. dollar denominated obligations.

The following table presents the significant items in foreign currencies exposed to currency risk as at November 30, 2011:

(in thousands)

	November 30, 2011		
	$US	EURO	GBP
Cash	2,386	—	—
Trade and other receivables	1,445	—	—
Accounts payable and accrued liabilities	(1,007)	(31)	(11)
Total exposure from above	2,824	(31)	(11)
Forward exchange contracts	(1,307)	—	—
Net exposure	1,517	(31)	(11)

The following exchange rates applied during the year ended November 30, 2011:

	November 30, 2011	
	Average rate	Reporting date rate
$ US - C$	0.9879	1.0203
EURO - C$	1.3754	1.3706
GBP - C$	1.5844	1.6009

Based on the Company’s foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the Canadian dollar would have increased the net (loss) profit as follows, assuming that all other variables remained constant:

(in thousands)

	November 30, 2011		
	$US	EURO	GBP
Increase in net (loss) profit	76	(2)	(1)

An assumed 5% weakening of the Canadian dollar would have had an equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Our short-term bonds are invested at fixed interest rates and/or mature in the short-term. Long-term bonds are also instruments that bear interest at fixed rates. The risk that we will realize a loss as a result of a decline in the fair value of our bonds is limited because these investments, although they are classified as available for sale, are generally held to maturity. The unrealized gains or losses on bonds are recorded in accumulated other comprehensive income.

Based on the value of our short and long-term bonds at November 30, 2011, an assumed 0.5% decrease in market interest rates would have increased the fair value of these bonds and the accumulated other comprehensive income by approximately $440,000; an assumed increase in interest rate of 0.5% would have an equal but opposite effect, assuming that all other variables remained constant.

Cash bears interest at a variable rate. Trade and other receivables, accounts payable and accrued liabilities bear no interest.

Based on the average value of variable interest-bearing cash during the year ended November 30, 2011 ($3,726,000), an assumed 0.5% increase in interest rates during such period would have increased the future cash flow and the net profit by approximately $19,000; an assumed decrease of 0.5% would have had an equal but opposite effect.

Financial Instruments

We have determined that the carrying values of our short-term financial assets and liabilities, including cash, trade and other receivables as well as accounts payable and accrued liabilities, approximate their fair value because of the relatively short period to maturity of the instruments.

Bonds, derivative financial assets and liabilities, and liability related to the DSU plan are stated at estimated fair value, determined by inputs that are primarily based on broker quotes at the reporting date and the quoted market value of the shares of the Company for the liability related to the DSU (level 2 inputs – see note 23 of the audited consolidated financial statements – Determination of fair values).

Critical Accounting Estimates

Use of Estimates and the Exercise of Judgment

The preparation of our audited consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgements in applying accounting policies and assumption and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes to the audited consolidated financial statements:

- Revenue and deferred revenue:

Revenue recognition is subject to critical judgements, particularly in collaboration agreements that include multiple deliverables, as judgement is required in allocating revenue to each component, including upfront payments, milestone payments, research services, royalties and license fees and sale of goods.

- Stock option plan:

There is estimation uncertainty with respect to selecting inputs to Black-Scholes model used to determine the fair value of the stock options.

- Income taxes:

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The generation of future taxable income is dependent on the successful commercialization of the Company's products and technologies.

- Contingent liability:

Management uses judgement in assessing the possibility of any outflow in settlement of contingent liabilities.

Other areas of judgement and uncertainty relate to the estimation of accruals for clinical trial expenses, the recoverability of inventories, the measurement of the amount and assessment of the recoverability of tax credits and grants receivable and capitalization of development expenditures.

Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and the anticipated measures management intends to take. Actual results could differ from those estimates.

The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Upcoming changes in accounting standards:

(a) Amendments to existing standards:

Annual improvements to IFRS:

The IASB's improvements to IFRS contain seven amendments that result in accounting changes for presentation, recognition or measurement purposes. The most significant features of the IASB's annual improvements project published in May 2010 which are applicable for annual period beginning on or after January 1, 2011 with partial adoption permitted are included under the specific revisions to standards discussed below.

(i) IFRS 7:

Amendment to IFRS 7, Financial Instruments: Disclosures:

Multiple clarifications related to the disclosure of financial instruments and in particular in regards to transfers of financial assets.

(ii) IAS 1:

Amendment to IAS 1, Presentation of Financial Statements:

Entities may present the analysis of the components of other comprehensive income either in the statement of changes in equity or within the notes to the financial statements.

(iii) IAS 24:

Amendment to IAS 24, Related Party Disclosures:

There are limited differences in the definition of what constitutes a related party; however, the amendment requires more detailed disclosures regarding commitments.

(iv) IAS 34:

Amendment to IAS 34, Interim Financial Reporting:

The amendments place greater emphasis on the disclosure principles for interim financial reporting involving significant events and transactions, including changes to fair value measurements and the need to update relevant information from the most recent annual report.

(b) New or revised standards and interpretations issued but not yet adopted:

In addition, the following new or revised standards and interpretations have been issued but are not yet applicable to the Company:

(i) IFRS 9 Financial instruments:

Effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

Applies to the classification and measurement of financial assets and liabilities. It is the first of three phases of a project to develop standards to replace IAS 39, *Financial Instruments*.

(ii) IFRS 10 Consolidated Financial Statements:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities*, and IAS 27, *Consolidated and Separate Financial Statements*.

(iii) IFRS 13 Fair Value Measurement:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

Provides new guidance on fair value measurement and disclosure requirements.

The Company has not yet determined the impact of these amendments to existing standards on the consolidated financial statements.

Outstanding Share Data

On February 6, 2012, the number of shares issued and outstanding was 60,969,769 while outstanding options granted under the stock option plan were 2,152,300.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As at November 30, 2011, an evaluation of the design and operating effectiveness of our disclosure controls and procedures, as defined in Canadian securities laws and the U.S securities laws, was carried out. Based on that evaluation, the President and Chief Executive Officer and the Senior Executive Vice President and Chief Financial Officer concluded that the design and operating effectiveness of those disclosure controls and procedures were effective.

Also as at November 30, 2011, an evaluation of the design and operating effectiveness of internal controls over financial reporting, as defined in Canadian securities laws, was carried out. Based on that evaluation, the President and Chief Executive Officer and the Senior Executive Vice President and Chief Financial Officer concluded that the design and operating effectiveness of internal controls over financial reporting were effective.

These evaluations were based on the framework established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, a recognized control model, the requirements of National Instrument 52-109 of Canadian laws and also, and specifically for disclosure controls and procedures, the U.S Securities Exchange Act of 1934. A disclosure committee comprised of members of senior management assists the President and Chief Executive Officer and the Senior Executive Vice President and Chief Financial Officer in their responsibilities.

All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud. There were no changes in our internal controls over financial reporting that occurred during the year ended November 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Risks and Uncertainties

Before you invest in our common shares, you should understand the high degree of risk involved. You should consider carefully the following risks and uncertainties described below before you decide to purchase our common shares. The following risks may adversely impact our business, financial condition, operating results and prospects. Additional risks and uncertainties, including those that we do not know about or that we currently believe are immaterial, may also adversely affect our business, financial condition, operating results or prospects. As a result, the trading price of our common shares could decline and you could lose all or part of your investment.

RISKS RELATED TO THE COMMERCIALIZATION OF OUR PRODUCT AND PRODUCT CANDIDATES

Our commercial success depends largely on the commercialization of EGRIFTA™; the failure of EGRIFTA™ to obtain commercial acceptance would have a material adverse effect on us.

Our ability to generate revenues in the future is primarily based on the commercialization of *EGRIFTA*™ for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy. In the short-term, these revenues should be primarily derived from the U.S. market alone. Although

we have entered into a collaboration and licensing agreement with EMD Serono for the commercialization of *EGRIFTA*™ in the United States and the launch of *EGRIFTA*™ was made in January 2011, there can be no assurance that sales of *EGRIFTA*™ in the United States will increase or remain the same. In addition, there is no assurance that *EGRIFTA*™ will be successfully commercialized in any other country. Although we are developing new GRFpeptides, these peptides are at earlier stages of development and none of them may reach the clinical trial phase, obtain regulatory approval or, even if approved, be successfully commercialized.

The overall commercialization success of *EGRIFTA*™ for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy will depend on several factors, including:

- receipt of regulatory approvals for *EGRIFTA*™ from regulatory agencies in the territories other than the United States in which we wish to expand the commercialization of tesamorelin;
- market acceptance of *EGRIFTA*™ by the medical community, patients and third-party payors (such as governmental health administration authorities and private health coverage insurers);
- the amount of resources devoted by our commercial partners to commercialize *EGRIFTA*™ in their respective territories;
- maintaining manufacturing and supply agreements to ensure the availability of commercial quantities of *EGRIFTA*™ through validated processes;
- the number of competitors in our market; and
- protecting and enforcing our intellectual property and avoiding patent infringement claims.

The inability to successfully commercialize *EGRIFTA*™ in the United States for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy in the short term would delay our capacity to generate revenues and would have a material adverse effect on our financial condition and operating results.

We are or will be dependent on a limited number of collaboration and licensing agreements for the commercialization of EGRIFTA™ in the United States, Europe, Latin America, Africa and the Middle East. These agreements place the commercialization of EGRIFTA™ in these markets outside of our control.

Although our collaboration and licensing agreements with EMD Serono, Sanofi and Ferrer contain provisions governing their respective responsibilities as partners for the commercialization of *EGRIFTA*™ in their respective territories, our dependence on these partners to commercialize *EGRIFTA*™ is subject to a number of risks, including:

- our limited control of the amount and timing of resources that our commercial partners will be devoting to the commercialization, marketing and distribution of tesamorelin, including obtaining patient reimbursement for *EGRIFTA*™, which could adversely affect our ability to obtain or maximize our royalty payments;
- disputes or litigation that may arise between us and our commercial partners, which could adversely affect the commercialization of tesamorelin, all of which would divert our management’s attention and our resources;

- our commercial partners not properly defending our intellectual property rights or using them in such a way as to expose us to potential litigation, which could, in both cases, adversely affect the value of our intellectual property rights; and
- corporate reorganizations or changes in business strategies of our commercial partners, which could adversely affect a commercial partner's willingness or ability to fulfill its obligations under its respective agreement.

Our collaboration and licensing agreements may be terminated by our partners in the event of a breach by us of our obligations under such agreements, including our obligation to supply *EGRIFTA*™, for which we rely on third parties. Our collaboration and licensing agreement with EMD Serono can also be terminated by EMD Serono for their convenience on 180 days notice to us. Such a termination could have an adverse effect on our revenues related to the commercialization of *EGRIFTA*™ in the United States. In addition, EMD Serono has listed a patent held by one of its affiliates in the Orange Book under the Hatch-Waxman Act with respect to *EGRIFTA*™ in HIV-associated lipodystrophy. In the event of a termination of our agreement with EMD Serono, EMD Serono could assert that such patent would be infringed by our continued sale of *EGRIFTA*™ in the United States. Any such assertion would divert our management's attention and, if successful, could expose us to damages or require us to obtain a license from EMD Serono in order to continue selling *EGRIFTA*™ in the United States, all of which could have a material adverse effect on our results of operations, cash flows and financial conditions.

If any one of our commercial partners terminates their agreement with us or fails to effectively commercialize *EGRIFTA*™, for any of the foregoing or other reasons, we may not be able to replace the commercial partner and any of these events would have a material adverse effect on our business, results of operations and our ability to achieve future profitability, and could cause our share price to decline.

We are responsible for reporting to our commercial partners all adverse events derived from the use of EGRIFTA™ and our failure to meet this obligation may subject us to a breach of our agreements and result in our commercial partners being subject to fines from regulatory agencies. The occurrence of any such events would be detrimental to our business.

Regulations governing the commercialization of a pharmaceutical product require the holders of the regulatory dossier of an approved pharmaceutical product to report to regulatory agencies in the countries where such product received approval all adverse events related to the use of such product regardless of its country of origin pursuant to certain timelines. Under the terms of our agreements with our commercial partners, we agreed to act as the entity collecting from each of our commercial partners all adverse events related to the use of our products in each country where such product is approved and disseminate it to all our commercial partners who, as owner of the regulatory dossier, must report such adverse events to the regulatory agencies of their respective countries.

The method of communicating adverse events from all our commercial partners to us and from us to them requires the set-up of certain systems, the standards of which are regulated. To date, not all of those systems are in place since we must agree with our commercial partners on those. If we fail to set-up those systems or if our commercial partners are not being provided the information required pertaining to the adverse events of our products on a timely basis, this may subject us to a breach of our commercial agreements and result in our commercial partners being fined by regulatory agencies. In such events, our relationship with our commercial partners will be adversely affected and this may have an adverse effect on our revenue, business and operating results.

We rely on third parties for the manufacture and supply of EGRIFTA™ and tesamorelin and such reliance may adversely affect us if the third parties are unable or unwilling to fulfill their obligations.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We do not own or operate manufacturing facilities for the production of tesamorelin or any of our other product candidates, nor do we have plans to develop our own manufacturing operations in the foreseeable future. We currently rely on third parties to manufacture and supply all of our required raw materials, drug substance and drug product for our preclinical research, clinical trials and commercial sales. For tesamorelin for clinical studies and *EGRIFTA*™ for commercial sales, we are currently using, and relying on, single suppliers and single manufacturers for starting materials and the final drug substance. Although potential alternative suppliers and manufacturers have been identified, we have not qualified these vendors to date and no assurance can be given that such suppliers will be qualified in the future or receive necessary regulatory approval.

Our reliance on third-party manufacturers exposes us to a number of risks. We may be subject to delays in or suspension of the manufacturing of *EGRIFTA*™ and tesamorelin if a third-party manufacturer:

- becomes unavailable to us for any reason, including as a result of the failure to comply with good manufacturing practice, or GMP, regulations;
- experiences manufacturing problems or other operational failures, such as equipment failures or unplanned facility shutdowns required to comply with GMP or damage from any event, including fire, flood, earthquake, business restructuring or insolvency; or
- fails to perform its contractual obligations under our agreement, such as failing to deliver the quantities requested on a timely basis.

Any delay in or suspension of the supply of *EGRIFTA*™ could delay or prevent the sale of *EGRIFTA*™ and, accordingly, adversely affect our revenues and results of operations. In addition, any manufacturing delay or delay in delivering *EGRIFTA*™, or delay in entering into additional commercial agreements for the manufacture and supply of our drug substance and drug product, may result in our being in default under our collaboration agreements. If the damage to a supplier's manufacturer facility is extensive, or, for any reason, it does not operate in compliance with GMP or the third-party manufacturer is unable or refuses to perform its obligations under our agreement, we would need to find an alternative third-party manufacturer. The selection of a replacement third-party manufacturer would be time-consuming and costly since we would need to validate the manufacturing facility of such new third-party manufacturer. The validation process would include an assessment of the capacity of such third-party manufacturer to produce the quantities that we may request from time to time, the manufacturing process and its compliance with GMP. In addition, the third-party manufacturer would have to familiarize itself with our technology. Any delay in finding an alternative third-party manufacturer of tesamorelin and *EGRIFTA*™ could result in a shortage of such analogue or product, which could materially adversely affect our business and results of operations.

Even though EGRIFTA™ was launched in the United States, revenue that we generate from its sales may be limited.

Sales of *EGRIFTA*™ or any future products for which we obtain marketing approval from the FDA or other regulatory authorities will depend upon the acceptance of such product by the medical community, including physicians, patients and health care payors. The degree of market acceptance of any of our products will depend on a number of factors, including:

- acceptance of the product by physicians and patients as safe and effective treatments and addressing a significant unmet medical need;

- product price;
- the effectiveness of the sales and marketing efforts of our commercial partners (or ours);
- storage requirements and ease of administration;
- dosing regimen;
- safety and efficacy;
- prevalence and severity of side effects;
- competitive products;
- the ability to obtain and maintain sufficient third-party coverage or reimbursement from government health care programs, including Medicare and Medicaid, private health insurers and other third-party payors; and
- the willingness and ability of patients to pay out-of-pocket in the absence of third-party coverage.

If *EGRIFTA*™ does not achieve adequate sales level, we may not generate sufficient revenue from this product, and we may not be able to achieve profitability.

We have no internal sales, marketing or distribution capabilities so we must rely on strategic alliance agreements with third parties for the sale and marketing of EGRIFTA™ or any future products.

We currently have no internal sales, marketing or distribution capabilities and we rely on our commercial partners to market and sell *EGRIFTA*™ in their respective territories. Our agreements with our commercial partners contain termination provisions which, if exercised, could delay or suspend the commercialization of *EGRIFTA*™ or any future products.

In the event of any such termination, in order to continue commercialization, we would be required to build our own sales force or enter into agreements with third parties to provide such capabilities. We currently have limited marketing capabilities and we have limited experience in developing, training or managing a sales force. The development of a sales force would be costly and would be time-consuming given the limited experience we have in this area. To the extent we develop a sales force, we could be competing against companies that have more experience in managing a sales force than we have and that have access to more funds than we with which to manage a sales force. Consequently, there can be no assurance that a sales force which we develop would be efficient and would maximize the revenues derived from the sale of *EGRIFTA*™ or any future products.

We are substantially dependent on revenues from EGRIFTA™.

Our current and future revenues depend substantially upon sales of *EGRIFTA*™ by our commercial partners, EMD Serono, Sanofi and Ferrer. Any negative developments relating to this product, such as safety or efficacy issues, the introduction or greater acceptance of competing products, including those marketed and sold by our commercial partners, or adverse regulatory or legislative developments, would have a material adverse effect on our business, prospects and results of operations. Although we continue to develop additional product candidates for commercialization,

we expect to be substantially dependent on sales from *EGRIFTA*™ for the foreseeable future. A decline in sales from this product and the non-approval of this product by regulatory agencies outside of the United States would have a material adverse affect on our business, financial condition and operating results.

Our levels of revenues are highly dependent on obtaining patient reimbursement for EGRIFTA™.

Market acceptance and sales of *EGRIFTA*™ will substantially depend on the availability of reimbursement from third party payors such as governmental authorities, including U.S. Medicare and Medicaid, managed care providers, and private insurance plans and may be affected by healthcare reform measures in the United States and elsewhere. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors have been challenging the prices charged for products.

Under our agreements with our commercial partners, they are responsible for seeking reimbursement of *EGRIFTA*™ in their respective territories and as a result we have no control over whether or what level of reimbursement is achieved.

We cannot be sure that reimbursement by insurers, government or other third parties will be available for *EGRIFTA*™ and, if reimbursement is available, the level of reimbursement provided to patients. Reimbursement may impact the demand for, or the price of, *EGRIFTA*™ and our future products for which we obtain marketing approval. If reimbursement is not available or is available only in limited amount, our commercial partners may not be able to successfully commercialize *EGRIFTA*™ or our future products and it will have a material adverse effect on our revenues and royalties, business and prospects.

A variety of risks associated with our international business relationships could materially adversely affect our business.

International business relationships in the United States, Europe, Latin America, Africa, the Middle East and elsewhere subject us to additional risks, including:

- differing regulatory requirements for drug approvals in foreign countries;
- potentially reduced protection for intellectual property rights;
- potential third-party patent rights in foreign countries;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from a foreign market, with low or lower prices, rather than buying them locally;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability, particularly in foreign economies and markets;
- compliance with tax, employment, immigration and labour laws for employees traveling abroad;

- foreign taxes;
- foreign exchange contracts and foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labour unrest is more common than in the United States and Canada;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks of international business relationships may materially adversely affect our business, prospects, results of operations and financial condition.

Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues, if any.

In several countries, including countries which are in Europe, Latin America, Africa, and the Middle East, the pricing of prescription drugs may be subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time and delay the marketing of a product. To obtain reimbursement or pricing approval in some countries, a clinical trial that compares the cost-effectiveness of a product candidate to other available therapies may be required. If reimbursement of our product is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our commercial partners may not be willing to devote resources to market and commercialize *EGRIFTA*™ or may decide to cease marketing such product. In such case, our business, prospects and results of operations could be materially adversely affected.

We face competition and the development of new products by other companies could materially adversely affect our business and products.

The biopharmaceutical and pharmaceutical industries are highly competitive and we must compete with pharmaceutical companies, biotechnology companies, academic and research institutions as well as governmental agencies for the development and commercialization of products, most of which have substantially greater financial, technical and personnel resources than us. Although we believe that we have no direct competitors for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy, we could face indirect competition from other companies developing and/or commercializing metabolic products and/or other products that reduce or eliminate the occurrence of lipodystrophy.

In the other clinical programs that we are currently evaluating for development, there may exist companies that are at a more advanced stage of developing a product to treat the diseases for which we are evaluating clinical programs. Some of these competitors could have access to capital resources, research and development personnel and facilities that are superior to ours. In addition, some of these competitors could be more experienced than we are in the development and commercialization of medical products and already have a sales force in place to launch new products. Consequently, they may be able to develop alternative forms of medical treatment which could compete with our products and which could be commercialized more rapidly and effectively than our products.

If we fail to comply with government regulations regarding the import and export of products and raw materials, we could be subject to fines, sanctions and penalties that could adversely affect our ability to operate our business.

We import and export products and raw materials from and to several jurisdictions around the world. This process requires us and our commercial partners to operate in a number of jurisdictions with different customs and import/export regulations. The regulations of these countries are subject to change from time to time and we cannot predict the nature, scope or impact of these changes upon our operations. We and our commercial partners are subject to periodic reviews and audits by U.S. and foreign authorities responsible for administering these regulations. To the extent that we or our commercial partners are unable to successfully defend against an audit or review, we may be required to pay assessments, penalties and increased duties, which may, individually or in the aggregate, negatively impact our business, operating results and financial condition.

RISKS RELATED TO THE REGULATORY REVIEW PROCESS

Even after regulatory approval has been obtained regulatory agencies may impose limitations on the indicated uses for which our products may be marketed, subsequently withdraw approval or take other actions against us that would be adverse to our business.

Even though we have obtained marketing approval of *EGRIFTA*™ in the United States, the FDA and regulatory agencies in other countries have the ability to limit the indicated use of a product. Also, the manufacture, marketing and sale of our products will be subject to ongoing and extensive governmental regulation in the country in which we intend to market our products. For example, although we obtained marketing approval of *EGRIFTA*™ for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy in the United States, the marketing of *EGRIFTA*™ will be subject to extensive regulatory requirements administered by the FDA, such as adverse event reporting and compliance with marketing and promotional requirements. The FDA has also requested that we comply with certain post-approval requirements in connection with the approval of *EGRIFTA*™ for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy, namely, the development of a single vial formulation of *EGRIFTA*™ (the development of a new presentation of the same formulation), a long-term observational safety study using *EGRIFTA*™; and a Phase 4 clinical trial. Although we have received marketing approval from the FDA of tesamorelin for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy, there can be no guarantee that regulatory agencies in other countries will approve tesamorelin for this treatment in their respective countries.

Our third party manufacturing facilities for *EGRIFTA*™ will also be subject to continuous reviews and periodic inspections and approval of manufacturing modifications by regulatory agencies, including the FDA. The facilities must comply with GMP regulations. The failure to comply with FDA requirements (and those of other regulatory agencies) can result in a series of administrative or judicial sanctions or other setbacks, including:

- restrictions on the use of the product, manufacturers or manufacturing processes;
- warning letters;
- civil or criminal penalties;
- fines;
- injunctions;
- product seizures or detentions;

- import or export bans or restrictions;
- product recalls and related publicity requirements;
- suspension or withdrawal of regulatory approvals;
- total or partial suspension of production; and
- refusal to approve pending applications for marketing approval of new product candidates or supplements to approved applications.

Addressing any of the foregoing or any additional requirements of the FDA or other regulatory authorities may require significant resources and could impair our ability to successfully commercialize our products.

To date, we do not have the required regulatory approvals to commercialize EGRIFTA™ outside of the United States and cannot guarantee that we will obtain such regulatory approvals or that any of our product candidates will be approved for commercialization in any country, including the United States.

The commercialization of *EGRIFTA*™ outside of the United States and our future products first requires the approval of the regulatory agencies in each of the jurisdictions where we intend to sell such products. In order to obtain the required approvals, we must demonstrate, following preclinical and clinical studies, the safety, efficacy and quality of a product.

The rules and regulations relating to the approval of a new drug are complex and stringent. Although we have received marketing approval in the United States from the FDA for *EGRIFTA*™, there can be no guarantee that regulatory agencies in other territories will approve *EGRIFTA*™ in their respective countries.

All of our product candidates are subject to preclinical and clinical studies. If the results of such studies are not positive, we may not be in a position to make any filing to obtain the regulatory approval for the product candidate or, even where a product candidate has been filed for approval, we may have to conduct additional clinical trials or testing on such product candidate in an effort to obtain results that further support the safety and efficacy of such product candidate. Such studies are often costly and may also delay a filing or, where additional studies or testing are required after a filing has been made, the approval of a product candidate.

While an application for a new drug is under review by a regulatory agency, it is standard for such regulatory agency to ask questions regarding the application that was submitted. If these questions are not answered quickly and in a satisfactory manner, the marketing approval of the product candidate subject to the review and its commercialization could be delayed or, if the questions are not answered in a satisfactory manner, denied. If *EGRIFTA*™ is not approved by the appropriate regulatory agencies for commercialization outside of the United States, our capacity to generate revenues in the long-term will be impaired and this will have an adverse effect on our financial condition and our operating results.

Obtaining regulatory approval is subject to the discretion of regulatory agencies in each relevant jurisdiction. Therefore, even if we obtain regulatory approval from one agency, or succeed in filing the equivalent of an NDA, in other countries, or have obtained positive results relating to the safety and efficacy of a product candidate, a regulatory agency may not accept the filing or the results contained therein as being conclusive evidence of the safety and efficacy of a product candidate in order to allow us to sell the product candidate in its country. A regulatory agency may require that additional tests on the safety and efficacy of a product candidate be conducted prior to granting approval of such product candidate. These additional tests may delay the approval of such product

candidate, can have a material adverse effect on our financial condition and results of operations based on the type of additional tests to be conducted and may not necessarily lead to the approval of the product candidate.

We have only obtained FDA approval for EGRIFTA™ and we must complete several preclinical studies and clinical trials for our other product candidates which may not yield positive results and, consequently, could prevent us from obtaining regulatory approval.

Obtaining FDA approval for the commercialization of drug products requires a demonstration through preclinical studies and clinical trials that the drug is safe and effective. All other product candidates are either at the discovery or pre-clinical stage.

If any of our preclinical studies or clinical trials fail to show positive efficacy data or result in adverse patient reactions, we may be required to perform additional preclinical studies or clinical trials, to extend the term of our studies and trials, to increase the number of patients enrolled in a given trial or to undertake ancillary testing. Any of these events could cause an increase in the cost of product development, delay filing of an application for marketing approval or result in the termination of a study or trial and, accordingly, could cause us to cease the development of a product candidate. In addition, the future growth of our business could be negatively impacted since there can be no guarantee that we will be able to develop new compounds, license or purchase compounds or product candidates that will result in marketed products.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval for *EGRIFTA*™ and our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell *EGRIFTA*™ or any of our other product candidates for which we intend to seek marketing approval.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We are not sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for drugs. In addition, this legislation authorized Medicare Part D prescription drug plans to use formularies where they can limit the number of drugs that will be covered in any therapeutic class. As a result of this legislation and the expansion of federal coverage of drug products, we expect that there will be additional pressure to contain and reduce costs. These cost reduction initiatives and other provisions of this legislation could decrease the coverage and sales price that we receive for *EGRIFTA*™ or any other approved products and could seriously harm our business. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

More recently, in March 2010, U.S. President Obama signed into law the *Health Care Reform Law*, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of

healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Effective October 1, 2010, the *Health Care Reform Law* revised the definition of "average manufacturer price" for reporting purposes, which could increase the amount of Medicaid drug rebates to states. Further, beginning in 2011, the new law imposed a significant annual fee on companies that manufacture or import branded prescription drug products. We will not know the full effects of the *Health Care Reform Law* until applicable U.S. federal and state agencies issue regulations or guidance under the new law. Although it is too early to determine the effect of the *Health Care Reform Law*, the new law appears likely to continue to apply the pressure on pharmaceutical pricing. Pressure on pharmaceutical pricing may adversely affect the amount of our royalties in the United States.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

Our failure to protect our intellectual property may have a material adverse effect on our ability to develop and commercialize our products.

We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our intellectual property rights are covered and protected by valid and enforceable patents or are effectively maintained as trade secrets. We try to protect our intellectual property position by, among other things, filing patent applications related to our proprietary technologies, inventions and improvements that are important to the development of our business.

Because the patent position of pharmaceutical companies involves complex legal and factual questions, the issuance, scope, validity, and enforceability of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. If our patents are invalidated or found to be unenforceable, we would lose the ability to exclude others from making, using or selling the inventions claimed. Moreover, an issued patent does not guarantee us the right to use the patented technology or commercialize a product using that technology. Third parties may have blocking patents that could be used to prevent us from developing our product candidates, selling our products or commercializing our patented technology. Thus, patents that we own may not allow us to exploit the rights conferred by our intellectual property protection.

Our pending patent applications may not be issued or granted as patents. Even if issued, they may not be issued with claims of sufficient breadth to protect our product candidates and technologies or may not provide us with a competitive advantage against competitors with similar products or technologies. Furthermore, others may independently develop products or technologies similar to those that we have developed or may reverse engineer or discover our trade secrets through proper means. In addition, the laws of many countries do not protect intellectual property rights to the same extent as the laws of Canada, the United States and the European Patent Convention, and those countries may also lack adequate rules and procedures for defending intellectual property rights effectively.

Although we have received patents from the USPTO for the treatment of HIV-related lipodystrophy with tesamorelin, there can be no guarantee that, in the other countries where we filed patent applications for the treatment of HIV-related lipodystrophy, we will receive a patent or obtain granted claims of similar breadth to those granted by the USPTO.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties who have access to such confidential information, such as our current and prospective suppliers, distributors, manufacturers, commercial partners, employees and consultants. Any of these parties may breach the agreements and disclose confidential information to our competitors. It is possible that a competitor will make use of such information, and that our competitive position could be disadvantaged.

Enforcing a claim that a third party infringes on, has illegally obtained or is using an intellectual property right, including a trade secret or know-how, is expensive and time-consuming and the outcome is unpredictable. In addition, enforcing such a claim could divert management's attention from our business. If any intellectual property right were to be infringed, disclosed to or independently developed by a competitor, our competitive position could be harmed. Any adverse outcome of such litigation or settlement of such a dispute could subject us to significant liabilities, could put one or more of our pending patent applications at risk of being invalidated or interpreted narrowly, could put one or more of our patents at risk of not issuing, or could facilitate the entry of generic products. Any such litigation could also divert our research, technical and management personnel from their normal responsibilities.

Our ability to defend ourselves against infringement by third parties of our intellectual property in the United States with respect to tesamorelin for the treatment of HIV-related lipodystrophy depends, in part, on our commercial partner's decision to bring an action against such third party. Under the terms and conditions of our collaboration and licensing agreement with EMD Serono, EMD Serono has the first right to bring an action against a third party for infringing our patent rights with respect to tesamorelin for the treatment of HIV-related lipodystrophy. Any delay in pursuing such action or in advising us that it does not intend to pursue the matter could decrease sales, if any, of tesamorelin for the treatment of HIV-related lipodystrophy and adversely affect our revenues.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. For example, confidential information may be disclosed, inadvertently or as ordered by the court, in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. This disclosure would provide our competitors with access to our proprietary information and may harm our competitive position.

Our commercial success depends, in part, on our ability not to infringe on third party patents and other intellectual property rights.

Our capacity to commercialize our product candidates, and more particularly tesamorelin, will depend, in part, upon our ability to avoid infringing third party patents and other third-party intellectual property rights. The biopharmaceutical and pharmaceutical industries have produced a multitude of patents and it is not always easy for participants, including us, to determine which patents cover various types of products, processes of manufacture or methods of use. The scope and breadth of patents is subject to interpretation by the courts and such interpretation may vary depending on the jurisdiction where the claim is filed and the court where such claim is litigated. The fact that we own patents for tesamorelin and for the treatment of HIV-related lipodystrophy in certain jurisdictions does not guarantee that we are not infringing one or more third-party patents in such jurisdictions and there can be no guarantee that we will not infringe or violate third-party patents and other third-party intellectual property rights in the United States or other jurisdictions.

Patent analysis for non-infringement is based in part on a review of publicly available databases. Although we review from time to time certain databases to conduct patent searches, we do not have access to all databases. It is also possible that we will not have reviewed some of the information contained in the databases or we found it to be irrelevant at the time we conducted the searches. In addition, because patents take years to issue, there may be currently pending applications that have not yet been published or that we are unaware of, which may issue later as patents. As a result, there can be no guarantee that we will not violate third-party patents.

Because of the difficulty in analyzing and interpreting patents, there can be no guarantee that a third party will not assert that we infringe such third-party's patents or any of its other intellectual property rights. Under such circumstances, there is no guarantee that we would not become involved in litigation. Litigation with any third party, even if the allegations are without merit, is expensive, time-consuming and would divert management's attention from the daily execution of our business plan. Litigation implies that a portion of our financial assets would be used to sustain the costs of litigation instead of being allocated to further the development of our business.

If we are involved in patent infringement litigation, we would need to prevail in demonstrating that our products do not infringe the asserted patent claims of the relevant patent, that the patent claims are invalid or that the patent is unenforceable. If we are found to infringe a third-party patent or other intellectual property right, we could be required to enter into royalty or licensing agreements on terms and conditions that may not be favourable to us, and/or pay damages, including up to treble damages in the United Sates (for example, if found liable of wilful infringement) and/or cease the development and commercialization of our product candidates. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property and to compete with us.

We have not been served with any notice alleging that we infringe a third-party patent, but there may be issued patents that we are unaware of that our products may infringe, or patents that we believe we do not infringe but ultimately could be found to infringe. We are aware of third-party patents for the reduction of accumulation of fat tissue in HIV patients and, if a patent infringement suit was brought against us, we believe that we should not be found to infringe any valid claims of these patents. If we were to challenge the validity of a competitor's issued United States patent in a United States court, we would need to overcome a statutory presumption of validity that attaches to every United States patent. This means that, in order to prevail, we would have to present clear and convincing evidence as to the invalidity of the patent's claims. We cannot guarantee that a court would find in our favour on questions of infringement and validity. Any finding that we infringe or violate a third-party patent or other intellectual property right could materially adversely affect our business, financial condition and operating results.

OTHER RISKS RELATED TO OUR BUSINESS

We have a history of net losses and we may never achieve high profitability.

We have been reporting losses since our inception (except for the financial years ended November 30, 2010, 2001 and 2000) and, as at November 30, 2011, we had an accumulated deficit of $252,846,000. We do not currently generate sufficient recurrent revenues to cover our overall activities.

Our profitability will depend on, among other things, our commercial partners' ability and willingness to successfully commercialize *EGRIFTA*™ and to obtain regulatory approval for the use of tesamorelin in the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy in Europe, Latin America, Africa and the Middle East. However, there is no guarantee that our commercial partners will succeed in commercializing *EGRIFTA*™ or that *EGRIFTA*™ and our product candidates will ever receive approval for commercialization in any jurisdiction and, accordingly, we may never sustain profitability.

We rely on third-party service providers to conduct our preclinical studies and clinical trials and the failure by any of these third parties to comply with their obligations may delay the studies which could have an adverse effect on our development programs.

We have limited human resources to conduct preclinical studies and clinical trials and must rely on third-party service providers to conduct our studies and trials and carry out certain data gathering and analyses. If our third-party service providers become unavailable for any reason, including as a result of the failure to comply with the rules and regulations governing the conduct of preclinical studies and clinical trials, operational failures such as equipment failures or unplanned facility shutdowns, or damage from any event such as fire, flood, earthquake, business restructuring or insolvency or, if they fail to perform their contractual obligations pursuant to the terms of our agreements with them, such as failing to perform the testing, compute the data or complete the reports further to the testing, we may incur delays which may be significant in connection with the planned timing of our trials and studies which could adversely affect the timing of the development

program of a product candidate or the filing of an application for marketing approval in a jurisdiction where we rely on third-party service providers to make such filing. In addition, where we rely on such third-party service provider to help in answering any question raised by a regulatory agency during its review of one of our files, the unavailability of such third-party service provider may adversely affect the timing of the review of an application and could ultimately delay the approval. If the damages to any of our third-party service providers are material, or, for any reason, such providers do not operate in compliance with good laboratory practice, or GLP, or are unable or refuse to perform their contractual obligations, we would need to find alternative third-party service providers.

If we needed to change or select new third-party service providers, the planned working schedule related to preclinical studies and/or clinical trials could be delayed since the number of competent and reliable third-party service providers of preclinical and clinical work in compliance with GLP is limited. In addition, if we needed to change or select new third-party service providers to carry out work in response to a regulatory agency review of one of our applications, there may be delays in responding to such regulatory agency which, in turn, may lead to delays in commercializing a product candidate.

Any selection of new third-party service providers to carry out work related to preclinical studies and clinical trials would be time-consuming and would result in additional delays in receiving data, analysis and reports from such third-party service providers which, in turn, would delay the filing of any new drug application with regulatory agencies for the purposes of obtaining regulatory approval to commercialize our product candidates. Furthermore, such delays could increase our expenditures to develop a product candidate and materially adversely affect our financial condition and operating results.

The conduct of clinical trials requires the enrolment of patients and difficulties in enrolling patients could delay the conduct of our clinical trials or result in their non-completion.

The conduct of clinical trials requires the enrolment of patients. We may have difficulties enrolling patients for the conduct of our future clinical trials as a result of design protocol, the size of the patient population, the eligibility criteria to participate in the clinical trials, the availability of competing therapies, the patient referral practices of physicians and the availability of clinical trial sites. Difficulty in enrolling patients for our clinical trials could result in the cancellation of clinical trials or delays in completing them. Once patients are enrolled in a clinical trial, the occurrence of any adverse drug effects or side effects observed during the trial could result in the clinical trial being cancelled. Any of these events would have material adverse consequences on the timely development of our product candidates, the filing of an NDA, or its equivalent, with regulatory agencies and the commercialization of such product candidates.

We may require additional funding and may not be able to raise the capital necessary to fund all or part of our capital requirements, including to continue and complete the research and development of our product candidates and their commercialization.

We do not generate significant recurrent revenues and may need financing in order to fund all or part of our capital requirements to sustain our growth, to continue research and development of new product candidates, to conduct clinical programs, to develop our marketing and commercial capabilities and to meet our compliance obligations with various rules and regulations to which we are subject. In the past, we have been financed through public equity offerings in Canada and private placements of our equity securities and we may need to seek additional equity offerings to raise capital, the size of which cannot be predicted. However, the market conditions or our business performance may prevent us from having access to the public market in the future at the times or in the amounts necessary. Therefore, there can be no guarantee that we will be able to continue to raise additional equity capital by way of public or private equity offerings in the future. In such a case, we would have to use other means of financing, such as issuing debt instruments or entering into private financing or credit agreements, the terms and conditions of which may not be

favourable to us. If adequate funding is not available to us, we may be required to delay, reduce, or eliminate our research and development of new product candidates, our clinical trials or our marketing and commercialization efforts to launch and distribute new products, curtail significant portions of our product development programs that are designed to identify new product candidates and sell or assign rights to our technologies, products or product candidates. In addition, the issuance and sale of substantial amounts of equity, or other securities, or the perception that such issuances and sales may occur could adversely affect the market price of our common shares.

If product liability lawsuits are brought against us, they could result in costly and time-consuming litigation and significant liabilities.

Despite all reasonable efforts to ensure the safety of *EGRIFTA*™ and our other product candidates, it is possible that we or our commercial partners will sell products which are defective, to which patients react in an unexpected manner, or which are alleged to have side effects. The manufacture and sale of such products may expose us to potential liability, and the industries in which our products are likely to be sold have been subject to significant product liability litigation. Any claims, with or without merit, could result in costly litigation, reduced sales, significant liabilities and diversion of our management's time and attention and could have a material adverse effect on our financial condition, business and results of operations.

If a product liability claim is brought against us, we may be required to pay legal and other expenses to defend the claim and, if the claim is successful, damage awards may be substantial and/or may not be covered, in whole or in part, by our insurance. We may not have sufficient capital resources to pay a judgment, in which case our creditors could levy against our assets. We may also be obligated to indemnify our commercial partners and make payments to other parties with respect to product liability damages and claims. Defending any product liability claims, or indemnifying others against those claims, could require us to expend significant financial and managerial resources.

The development and commercialization of our drugs could expose us to liability claims which could exceed our insurance coverage.

A risk of product liability claims is inherent in the development and commercialization of human therapeutic products. Product liability insurance is very expensive and offers limited protection. A product liability claim against us could potentially be greater than the available coverage and, therefore, have a material adverse effect upon us and our financial condition. Furthermore, a product liability claim could tarnish our reputation, whether or not such claims are covered by insurance or are with or without merit.

We depend on our key personnel to research, develop and bring new products to the market and the loss of key personnel or the inability to attract highly qualified individuals could have a material adverse effect on our business and growth potential.

The operation of our business requires qualified scientific and management personnel. The loss of scientific personnel or members of management could have a material adverse effect on our business. In addition, our growth is and will continue to be dependent, in part, on our ability to hire and retain the employment of qualified personnel. There can be no guarantee that we will be able to continue to retain our current employees or will be able to attract qualified personnel to achieve our business plan.

We may be unable to identify and complete in-licensing or acquisitions. In-licensing or acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to our shareholders.

In the future, we may engage in selective in-licensing or acquisitions of products or businesses. There is a risk that we will not be able to identify suitable in-licensing or acquisition candidates available for sale at reasonable prices, complete any in-licensing or acquisition, or successfully integrate any in-licensed or acquired product or business into our operations. We are likely to face competition for in-licensing or acquisition candidates from other parties including those that have substantially greater available resources. In-licensing or acquisitions may involve a number of other risks, including:

- diversion of management's attention;
- disruption to our ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;
- assumption of disclosed and undisclosed liabilities;
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business; and
- difficulties in maintaining customer relations.

If we do not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on our business, results of operations and financial condition. Inherited liabilities of or other issues with an acquired business could have a material adverse effect on our performance or our business as a whole. In addition, if we proceed with an acquisition, our available cash may be used to complete the transaction, diminishing our liquidity and capital resources, or shares may be issued which could cause significant dilution to our existing shareholders.

We may not achieve our publicly announced milestones or our commercial objectives on time.

From time to time, we publicly announce the timing of certain events to occur or the attainment of certain commercial objectives. These statements are forward-looking and are based on the best estimate of management at the time relating to the occurrence of such events. However, the actual timing of such events or our ability to achieve these objectives may differ from what has been publicly disclosed. Events such as completion of a clinical program, discovery of a new product candidate, filing of an application to obtain regulatory approval, beginning of commercialization of our product, announcement of additional clinical programs for a product candidate or levels of sales of a product may vary from what is publicly disclosed. These variations may occur as a result of a series of events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a supplier or a commercial partner or any other event having the effect of delaying the publicly announced timeline or reducing the publicly announced commercial objective. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of certain events having the effect of postponing such events or any variation in the occurrence of certain events having the effect of altering publicly announced commercial objectives could have an adverse material effect on our business plan, financial condition or operating results.

The outcome of scientific research is uncertain and our failure to discover new compounds could slow down the growth of our portfolio of products.

We conduct research activities in order to increase our portfolio of product candidates. The outcome of scientific research is uncertain and may prove unsuccessful and, therefore, may not lead to the discovery of new molecules and progression of existing compounds to an advanced development stage. Our inability to develop new compounds or to further develop the existing ones could slow down the growth of our portfolio of products.

RISKS RELATED TO OUR COMMON SHARES

Our share price has been volatile, and an investment in our common shares could suffer a decline in value.

Since our initial public offering in Canada, our valuation and share price have had no meaningful relationship to current or historical financial results, asset values, book value or many other criteria based on conventional measures of the value of common shares. The market price of our common shares will fluctuate due to various factors including the risk factors described herein and other circumstances beyond our control.

In the past, when the market price of a stock has been volatile, shareholders have often instituted securities class action litigation against that company. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. The lawsuit could also divert the time and attention of our management.

Our quarterly operating results may fluctuate significantly.

We expect our operating results to be subject to quarterly fluctuations. Our net loss and other operating results will be affected by numerous factors, including:

- variations in the level of revenues and royalties received related to *EGRIFTA*™;
- variations in the level of expenses related to our development programs;
- addition or termination of clinical trials;
- any intellectual property infringement lawsuit in which we may become involved;
- regulatory developments affecting our product candidates;
- our execution of any collaborative, licensing or similar arrangements, and the timing of payments we may make or receive under these arrangements; and
- the achievement and timing of milestone payments under our existing strategic partnership agreements.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common shares could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially.

We do not intend to pay dividends on our common shares and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common shares.

We have never declared or paid any cash dividend on our common shares and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Therefore, the success of an investment in our common shares will depend upon any future appreciation in their value. There is no guarantee that our common shares will appreciate in value or even maintain the price at which our shareholders have purchased their shares.

Our revenues and expenses may fluctuate significantly and any failure to meet financial expectations may disappoint securities analysts or investors and result in a decline in the price of our common shares.

Our revenues and expenses have fluctuated in the past and are likely to do so in the future. These fluctuations could cause our share price to decline. Some of the factors that could cause revenues and expenses to fluctuate include the following:

- the sales of *EGRIFTA*™ by our commercial partners;
- the inability to complete product development in a timely manner that results in a failure or delay in receiving the required regulatory approvals or allowances to commercialize product candidates;
- the timing of regulatory submissions and approvals;
- the timing and willingness of any current or future collaborators to invest the resources necessary to commercialize our product candidates;
- the outcome of any litigation; changes in foreign currency fluctuations;
- the timing of achievement and the receipt of milestone or royalty payments from current or future third parties;
- failure to enter into new or the expiration or termination of current agreements with third parties; and
- failure to introduce our product candidates to the market in a manner that generates anticipated revenues.

We may be adversely affected by currency fluctuations.

A substantial portion of our revenue is earned in U.S. dollars, but a substantial portion of our operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on our business, financial condition and operating results. We engage occasionally in limited transactional hedging schemes and we also mitigate the risk of currency fluctuations by actively monitoring and managing our foreign currency holdings relative to our foreign currency expenses.

Our shareholder rights plan and certain Canadian laws could delay or deter a change of control.

Our shareholder rights plan entitles a rights holder, other than a person or group holding 20% or more of our common shares, to subscribe for our common shares at a discount of 50% to the market price at that time, subject to certain exceptions.

The *Investment Canada Act* (Canada) subjects an acquisition of control of a company by a non-Canadian to government review if the value of the assets as calculated pursuant to the legislation exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to be a net benefit to Canada.

Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their shares.

Further Information on Theratechnologies

Further information on Theratechnologies, including the Company's annual information form, is available on the SEDAR site at www.sedar.com.

Exhibit 99.3

CERTIFICATION PURSUANT TO
RULE 13a-14(a)

I, John-Michel T. Huss, certify that:

1. I have reviewed this annual report on Form 40-F of Theratechnologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) **[Intentionally omitted pursuant to Rule 13A-14(a)] ;**
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 8, 2012

/s/ John-Michel T. Huss
John-Michel T. Huss
President and Chief Executive Officer

Exhibit 99.4

CERTIFICATION PURSUANT TO
RULE 13a-14(a)

I, Luc Tanguay, certify that:

1. I have reviewed this annual report on Form 40-F of Theratechnologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) **[Intentionally omitted pursuant to Rule 13A-14(a)]** ;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 8, 2012

/s/ Luc Tanguay
Luc Tanguay
Senior Executive Vice President and Chief Financial Officer

Exhibit 99.5

C E R T I F I C A T I O N PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the Annual Report on Form 40-F of Theratechnologies Inc. (the "Company") for the fiscal year ended November 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John-Michel T. Huss, President and Chief Executive Officer of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2012

/s/ John-Michel T. Huss
Name: John-Michel T. Huss
Title: President and Chief Executive Officer

Exhibit 99.6

C E R T I F I C A T I O N PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the Annual Report on Form 40-F of Theratechnologies Inc. (the "Company") for the fiscal year ended November 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Luc Tanguay, Senior Executive Vice President and Chief Financial Officer of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2012

/s/ Luc Tanguay
Name: Luc Tanguay
Title: Senior Executive Vice President and Chief Financial Officer

Exhibit 99.7

Consent of Independent Auditors

The Board of Directors
Theratechnologies Inc.

We consent to the use of our report dated February 7, 2012, on the financial statement which comprise the consolidated statements of financial position as at November 30, 2011 and November 30, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended November 30, 2011 and November 30, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information, which is contained in this annual report on Form 40-F of Theratechnologies Inc. for the fiscal year ended November 30, 2011.

/s/ KPMG LLP

Chartered Accountants
February 8, 2012
Montréal, Canada