Aeterna Zentaris Inc.
Form F-10
September 19, 2007

As filed with the Securities and Exchange Commission on September 19, 2007
Registration No. 333-

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM F-10
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Æterna Zentaris Inc.
(Exact name of registrant as specified in its charter)

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

1405, boul. du Parc-Technologique
Quebec City, Quebec
Canada, G1P 4P5
(418) 652-8525
(Address and telephone number of Registrant s principal executive offices)
Æterna Zentaris, Inc.,
20 Independence Boulevard,
Warren, New Jersey 07059-2731
(908) 626-5428
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies to:

Mario Paradis	**Andrew G. Bleau, Esq.**
Æterna Zentaris Inc.	**Ogilvy Renault LLP**
1405, boul. du Parc-Technologique	**1981 McGill College Avenue**
Quebec City, Quebec	**Montreal, Quebec**
Canada, G1P 4P5	**Canada, H3A 3C1**
418-652-8525	**514-847-4747**

Approximate date of commencement of proposed sale of the securities to the public:
From time to time after the effective date of this Registration Statement.
Province of Quebec, Canada
(Principal jurisdiction regulating this offering)

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

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

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

1. o pursuant to Rule 467(b) on (*date*) at (*time*) (designate a time not sooner than 7 calendar days after filing).
2. o pursuant to Rule 467(b) on (*date*) at (*time*) (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on (*date*).
3. o pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
4. x after the filing of the next amendment to this Form (if preliminary material is being filed).

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price**[1][2]	**Amount of registration fee**
Common Shares[3]		
Warrants to Purchase Common Shares[4]		
Total	US$90,000,000	US$2,763

(1) There is being registered under this Registration Statement such indeterminate number of common shares (no par value) and warrants to purchase common shares of the Registrant as shall have an aggregate initial offering price not to exceed US$90,000,000 (or its equivalent in any other currency). The proposed maximum initial offering price per security will be determined, from time to time, by the Registrant in connection with the sale of the securities registered under this Registration Statement.

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

(3) There is being registered an indeterminate number of common shares (no par value) as from time to time may be issued at indeterminate prices. An indeterminate number of common shares may also be issued upon exercise of warrants to purchase common shares.

(4) There is being registered an indeterminate number of warrants to purchase common shares as from time to time may be issued at indeterminate prices.

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

PART I
INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

I-1

The information in this preliminary prospectus is not complete and may be changed. These securities may be sold until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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

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

This short form base shelf prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this short form base shelf prospectus has become final and that permits the omission from this short form base shelf prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities. ***Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar securities regulatory authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Æterna Zentaris Inc. either at 20 Independence Boulevard, Warren, New Jersey 07059-2731 or at 1405 du Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5, Tel. (418) 652-8525, and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Corporate Secretary of Æterna Zentaris at either of the above-mentioned addresses and telephone number and is also available electronically at www.sedar.com.*

New Issue **PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS** Dated September 19, 2007

U.S.$90,000,000

Common Shares
Warrants to Purchase Common Shares

We may from time to time during the 25-month period that this short form base shelf prospectus (the Prospectus), including any amendments, remains valid, offer, sell, and issue under this Prospectus up to U.S.$90,000,000 aggregate initial offering price of our common shares (the Common Shares) and/or warrants to purchase Common Shares (the Warrants , and, together with the Common Shares, the Securities). We may offer Securities from time to time in one or more transactions in such amounts and, in the case of the Warrants, with such terms, as we may determine in

light of prevailing market conditions at the time of sale. We may sell and issue the Warrants under this Prospectus in one or more series.

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

A Prospectus Supplement may include specific terms pertaining to the Securities that are not within the alternatives and parameters described in this Prospectus. All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

We are a foreign private issuer under United States (U.S.) securities laws and are permitted, under a multi-jurisdictional disclosure system (MJDS) adopted by the U.S., to prepare this Prospectus in accordance with Canadian disclosure requirements. You should be aware that such requirements are different from those of the U.S. We have prepared our financial statements in accordance with Canadian generally accepted accounting

principles (GAAP), and they are subject to Canadian auditing and auditor independence standards. Thus, they may not be comparable to the financial statements of U.S. companies. Information regarding the impact upon our financial statements of significant differences between Canadian and U.S. GAAP is contained in the supplemental notes entitled Summary of differences between generally accepted accounting principles in Canada and in the United States included in our Annual Report on Form 40-F filed with the United States Securities and Exchange Commission (SEC) on March 23, 2007 and subsequently amended on September 19, 2007 (available electronically at www.sec.gov) and incorporated by reference into this Prospectus. See Reconciliation to U.S. GAAP .

Owning the Securities may subject you to tax consequences both in the U.S. and Canada. This Prospectus and any applicable Prospectus Supplement may not describe these tax consequences fully. You should read the tax discussion in this Prospectus and any applicable Prospectus Supplement.

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

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

Investing in the Securities involves risk. See Risk Factors .

Our outstanding Common Shares are listed for trading on the Toronto Stock Exchange (TSX) under the trading symbol AEZ and on the NASDAQ Stock Market (NASDAQ) under the trading symbol AEZS . **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants purchased under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See the Risk Factors section of the applicable Prospectus Supplement.**

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

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

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

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) our Annual Information Form dated March 23, 2007 for the financial year ended December 31, 2006 (which was included as Exhibit 99.1 to our Annual Report on Form 40-F filed with the SEC on March 23, 2007 and subsequently amended on September 19, 2007);

(b) our audited consolidated balance sheets as at December 31, 2006 and 2005 and our audited consolidated statements of operations, deficit, other capital and cash flows for each of the years in the three-year period ended December 31, 2006, together with the report thereon dated March 2, 2007, except as to Note 24(g) and (h), which is as of September 17, 2007 of our independent auditors PricewaterhouseCoopers LLP as filed with the Canadian securities regulatory authorities on September 19, 2007 (which was included as Exhibit 99.2 to our Annual Report on Form 40-F filed with the SEC on March 23, 2007 and subsequently amended on September 19, 2007);

(c) our Management s Discussion and Analysis for the year ended December 31, 2006, dated March 2, 2007 as filed with the Canadian securities regulatory authorities on September 19, 2007 (which was included as Exhibit 99.4 to our Annual Report on Form 40-F filed with the SEC on March 23, 2007 and subsequently amended on September 19, 2007);

(d) the Management Information Circular dated March 9, 2007 in connection with our annual meeting of shareholders held on May 2, 2007 (which was included as Exhibit 99.5 to our Annual Report on Form 40-F filed with the SEC on March 23, 2007 and subsequently amended on September 19, 2007);

(e) our unaudited interim consolidated financial statements for the six-month period ended June 30, 2007 (which was furnished to the SEC on Form 6-K on August 16, 2007);

(f) our Management s Discussion and Analysis of Financial Conditions and Results of Operations for the six-month period ended June 30, 2007 (which was furnished to the SEC on Form 6-K on August 16, 2007);

(g) the Material Change Report dated January 8, 2007 announcing that we had effected the distribution in kind to our shareholders of 11,052,996 Subordinate Voting Shares in the capital of Atrium Biotechnologies Inc.

(which has been since renamed Atrium Innovations Inc. (Atrium)) (which was furnished to the SEC on Form 6-K on January 24, 2007);

(h) the Material Change Report dated February 13, 2007 announcing the restatement of our unaudited interim consolidated financial statements for the third quarter and nine-month period ended September 30, 2006 (which was included as Exhibit 1 to a Form 6-K furnished to the SEC on February 14, 2007);

(i) the Material Change Report dated March 27, 2007 announcing the appointment of David J. Mazzo, Ph.D. as our President and Chief Executive Officer (CEO) (which was furnished to the SEC on Form 6-K on March 28, 2007); and

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

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

Information has been incorporated by reference into this Prospectus from documents filed with securities commissions or similar securities regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Æterna Zentaris either at 20 Independence Boulevard, Warren, New Jersey 07059-2731 or at 1405 du Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5, Tel. (418) 652-8525, or through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. For the purpose of the Province of Québec, this Prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from our Corporate Secretary at either of the above-mentioned addresses and telephone number.

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

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for

any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus, except as so modified or superseded.

Upon a new annual information form and the related annual audited consolidated financial statements together with the auditors report thereon and management s discussion and analysis related thereto being filed by us with the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual audited consolidated financial statements and all interim financial statements, annual and quarterly management s discussion and analyses, material change reports and business acquisition reports filed by us prior to the commencement

of our financial year in which the new annual information form was filed, no longer shall be deemed to be incorporated by reference into this Prospectus for the purpose of future offers and sales of Securities hereunder.

We have filed with the SEC a registration statement on Form F-10 relating to the Securities. This Prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to the registration statement as permitted by the rules and regulations of the SEC. Statements included or incorporated by reference in this Prospectus about the contents of any contract, agreement or other documents referred to are not necessarily complete, and in each instance, you should refer to the exhibits for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

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

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

In this Prospectus and in any Prospectus Supplement, unless otherwise indicated, references to we , us , our , Æterna Zentaris or the Company are to Æterna Zentaris Inc., a Canadian corporation, and its wholly-owned subsidiaries, including Æterna Zentaris GmbH, Æterna Zentaris, Inc. and Echelon Biosciences, Inc. Unless otherwise indicated, all financial information included in and incorporated by reference into this Prospectus and any Prospectus Supplement is determined using Canadian GAAP.

CURRENCY AND EXCHANGE RATES

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

	Six Months Ended June 30, 2007	Year ended December 31, 2006	2005	2004
High	1.1853	1.1726	1.2704	1.3968
Low	1.0580	1.0990	1.1507	1.1774
Rate at end of period	1.0634	1.1653	1.1659	1.2036
Average rate per period	1.1348	1.1340	1.2116	1.3015

On September 18, 2007, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon rate of the Bank of Canada was Cdn$1.0236.

FORWARD-LOOKING STATEMENTS

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

the fact that investments in biopharmaceutical companies are generally considered to be speculative;

we may never achieve or maintain operating profitability;

we may never receive the required regulatory approvals to market certain of our product candidates;

our clinical trials may not yield results which will enable us to obtain regulatory approval for our products;

our trials could be delayed or otherwise adversely affected by difficulties enrolling patients in our clinical trials;

possible setbacks in any phase of the clinical development of our product candidates;

the impact of the strict and ongoing government regulation to which our product candidates are subject and future changes in such regulatory environment;

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

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

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

competition in our targeted markets;

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

we may infringe the intellectual property rights of others;

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

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

we may require significant additional financing, and we may not have access to sufficient capital;

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

the fact that our arrangements with strategic partners may not provide us with the benefits we expect and may expose us to a number of risks;

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

our ability to retain or attract key personnel;

risks related to product liability claims;

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

fluctuations in currency exchange rates;

the impact of general economic conditions;

stock market volatility; and

fluctuations in costs and changes to the competitive environment due to consolidation.

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

ENFORCEABILITY OF CIVIL LIABILITIES

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

by Ogilvy Renault LLP, however, that there is substantial doubt as to whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon U.S. federal securities laws.

We filed with the SEC, concurrently with our registration statement on Form F-10, an appointment of agent for service of process on Form F-X. Under the Form F-X, we appointed Æterna Zentaris, Inc., our wholly-owned subsidiary and a Delaware corporation, as our agent for service of process in the U.S. in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving us in a U.S. court arising out of or related to or concerning the offering of Securities under this Prospectus.

OUR BUSINESS

We are a global biopharmaceutical company focused on endocrine therapy and oncology with expertise in drug discovery, development and commercialization, primarily targeting the North American and European markets.

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

We recently opened an office in the U.S., located at 20 Independence Boulevard, Warren, New Jersey 07059-2731. We have three wholly-owned subsidiaries, Æterna Zentaris GmbH (AEZS Germany), based in Frankfurt, Germany, Æterna Zentaris, Inc., based in Warren, New Jersey in the U.S., and Echelon Biosciences, Inc. (Echelon) based in Salt Lake City, Utah in the U.S.

During the last three years, we have advanced our product development pipeline with a focus on our lead product candidates, cetrorelix, ozarelix and perifosine, as well as our targeted earlier-stage programs, as depicted in the chart below:

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

Recent Developments

Spin-off of Atrium

During 2006, we made the decision to spin off our subsidiary, Atrium, which specializes in Active Ingredients & Specialty Chemicals, and Health & Nutrition. This spin-off was completed in two steps. First, in October 2006, we sold a partial interest in Atrium (approximately 3.5 million shares) by way of a secondary offering. We subsequently distributed our remaining interest in Atrium (approximately 11 million shares) to our shareholders by way of return of capital on January 2, 2007. Therefore, in the first quarter of 2007, our long-term investment in Atrium was removed from our consolidated balance sheet.

Appointment of Key Executives and Changes to our Board of Directors

On March 27, 2007, we announced the appointment of David J. Mazzo, Ph.D. as our new President and CEO. Prior to joining Æterna Zentaris, Dr. Mazzo spent more than 20 years in the pharmaceutical industry, and he previously served as President and CEO of Chugai Pharma USA from April 2003 until March 2007. He also held positions of increasing responsibility with Merck, Baxter, Rhône-Poulenc Rorer, Hoechst Marion Roussel and Schering-Plough. Dr. Mazzo holds a B.A. in Honors (Interdisciplinary Humanities) and a B.S. in Chemistry from Villanova University, as well as an M.S. in Chemistry and a Ph.D. in Analytical Chemistry from the University of Massachusetts (Amherst). He further complemented his American education as a Research Fellow at the Ecole Polytechnique Fédérale de Lausanne, Switzerland.

Shortly after the appointment of Dr. Mazzo, we established an office in Warren, New Jersey in the U.S.

On May 7, 2007, we announced the filling of two key management positions with the appointment of Ellen McDonald, M.B.A., as Senior Vice President, Business Operations and Chief Business Officer, and Nicholas J. Pelliccione, Ph.D., as Senior Vice President, Regulatory Affairs and Quality Assurance.

On August 14, 2007, we announced the appointments of Jürgen Ernst as Chairman of our Board of Directors and David J. Mazzo, Ph.D., our President and CEO, to our Board of Directors. Mr. Ernst had served as our Vice Chairman since November 2005 and has 35 years of pharmaceutical industry experience, specifically corporate development and pharmaceutical product marketing expertise. He succeeds our founder, Eric Dupont, Ph.D., who served as our Executive Chairman since January 2003 and who stepped down from the Board of Directors on the same day.

On August 16, 2007, we completed the formation of our new management team with the announcement of Paul Blake, M.D. as Senior Vice President and Chief Medical Officer.

Our executive management team is now comprised of the following members:

David J. Mazzo, Ph.D., President and CEO;

Paul Blake, M.D., Senior Vice President and Chief Medical Officer;

Jürgen Engel, Ph.D., Executive Vice President and Chief Scientific Officer;

Ellen McDonald, M.B.A., Senior Vice President, Business Operations and Chief Business Officer;

Mario Paradis, C.A., Senior Vice President, Administrative and Legal Affairs, and Corporate Secretary;

Nicholas J. Pelliccione, Ph.D., Senior Vice President, Regulatory Affairs and Quality Assurance; and

Dennis Turpin, C.A., Senior Vice President and Chief Financial Officer.

Pipeline Developments

Cetrorelix: Patient dosing commenced with our flagship product candidate, cetrorelix, our lead luteinizing hormone-releasing hormone (LHRH) antagonist compound, in the first of three expected clinical trials of an extensive Phase 3 program in benign prostatic hyperplasia (BPH) that will enroll a total of approximately 1,500 patients. This first trial is expected to enroll approximately 600 patients and will primarily be conducted in the U.S. and Canada. Our partner Shionogi & Co (Shionogi) is currently conducting a 300-patient Phase 2b trial with cetrorelix for the treatment of BPH in Japan.

Additionally, we announced the termination of the License and Cooperation Agreement for cetrorelix for all remaining indications, including endometriosis, with Solvay Pharmaceuticals (Solvay). We regained exclusive worldwide ex-Japan rights for cetrorelix in all indications, without any financial compensation payable to Solvay. Cetrorelix was not a priority for Solvay as it shifted its focus to newly defined therapeutic areas as a result of the acquisition of Fournier Pharma, which was announced in March 2005. We now have full rights ex-Japan to cetrorelix and are in the process of conducting an updated, comprehensive strategic analysis to determine how best to proceed with the development for the endometriosis indication. We anticipate announcing the outcome of this strategic analysis in the fall of 2007.

Ozarelix: Our partner, Spectrum Pharmaceuticals (Spectrum), presented an abstract outlining detailed Phase 2 BPH results for ozarelix, our fourth-generation LHRH/GnRH antagonist. Results indicated that ozarelix was well tolerated and demonstrated statistically significant as well as clinically meaningful efficacy in the treatment of lower urinary tract symptoms (LUTS) secondary to BPH. Results also showed no statistically significant impact on quality of life or erectile function. The abstract was presented at the American Urological Association (AUA) Annual Meeting in May 2007. In January 2007, a Phase 2b study in the BPH indication was initiated in the U.S. and Canada by our partner, Spectrum. Furthermore, Spectrum completed enrollment for this Phase 2b trial in BPH in June 2007.

Perifosine: At the American Society of Clinical Oncology s (ASCO) Annual Meeting, our partner, Keryx Biopharmaceuticals (Keryx) presented a poster outlining Phase 1 and Phase 2 results for perifosine, our oral anti-cancer signal transduction inhibitor compound, for the treatment of patients with advanced sarcoma. Results of the Phase 1 and Phase 2 studies of perifosine showed an overall clinical benefit rate (CBR) of 52%, which compares favorably with the activity of mTOR inhibitors. Our partner Keryx is conducting multiple Phase 1 and 2 clinical trials in monotherapy as well as in combination with chemotherapy and biologics for multiple cancers.

AEZS-108: Detailed, Phase 1 results for our targeted cytotoxic LHRH analog, AEZS-108, were reported in female patients with cancers expressing LHRH at the ASCO Annual Meeting. Evidence of anti-tumor activity was found at 160 mg/m2 or 267 mg/m2 doses of AEZS-108, where 7 of 13 patients showed signs of tumor response, including 3 patients with complete or partial responses.

AEZS-112: This is a novel small molecule, anti-cancer drug in development involving two mechanisms of action: tubulin and topoisomerase II inhibition. On January 8, 2007, we announced the initiation of a Phase 1 trial for AEZS-112 in patients with solid tumors and lymphoma.

Our Business Strategy

Our strategy is to aggressively advance our product development pipeline with a focus on our lead product candidates and value drivers: cetrorelix, ozarelix and perifosine, as well as our targeted earlier-stage programs that we believe to have high potential. With the collective experience of our new management team in place and our expertise in drug discovery, pharmaceutical development and commercialization, we believe we are well positioned to execute our strategy. Furthermore, as a priority, we believe in the potential of our LHRH antagonist platform and our signal transduction inhibitor therapeutic approach.

Our foremost priority and lead product candidate is cetrorelix in the BPH indication. Based on various third-party sources, the prevalence of BPH in 2007 in the U.S. is estimated to be 21.5 million individuals as defined by International Prostate Symptom Score (IPSS) >7. Additionally, it is estimated that approximately 6 million men will be treated in the U.S. for LUTS associated with BPH. The prevalence of BPH in the U.S. is expected to increase to

26.8 million in 2020, and the LUTS treated population to approximately 7.5 million men. We intend to continue to aggressively advance cetrorelix Phase 3 program with the objective of filing a New Drug Application (NDA). We also have the intent to file in Europe a Marketing Authorization Application (MAA).

In addition, we intend to further advance ozarelix in the BPH indication with the collaboration of our partner Spectrum. Spectrum announced earlier this year that it is their intention, dependent upon successful discussions with the United States Food and Drug Administration (FDA), to initiate a Phase 3 development program in BPH by the end of 2007 or in early 2008.

With respect to perifosine, we, along with our partner, Keryx, intend to continue development in multiple Phase 1 and 2 trials in oncology. Our goal is to initiate one Phase 3 trial by the end of 2007 or early 2008 in collaboration with Keryx, depending on the positive outcome of selected Phase 2 trials ongoing and successful discussions with the FDA.

We intend to further advance our earlier-stage product candidates with what we believe to be high potential during the year, including AEZS-108 and AEZS-112. With respect to AEZS-108, we intend to initiate a Phase 2 trial in endometrial and ovarian cancers before the end of 2007. Regarding AEZS-112, we plan to announce interim Phase 1 data before the end of the year as well.

Additionally, we have a drug discovery unit which includes high throughput screening systems and a library of nearly 120,000 compounds. We also have several pre-clinical programs underway with targeted potential development candidates. Among the targets that we expect to propose for clinical development in the coming years are: Ghrelin receptor ligands, PI3K/Erk inhibitors, AEZS-115 LHRH Peptidomimetics and AEZS-127 (erucylphosphocholine).

Furthermore, we intend to continue marketing Cetrotide® (cetrorelix) in more than 80 countries, in collaboration with our partner, Merck Serono, on a world-wide ex-Japan basis, and with Shionogi in Japan.

We are currently in a phase in which our products and product candidates are being further developed or marketed jointly with strategic partners. We expect we will continue to develop strategic partnerships in the future as we move to realize our vision of becoming a fully integrated specialty biopharmaceutical company.

RISK FACTORS

The purchase of Securities offered under this Prospectus involves risks which prospective purchasers should take into consideration when making a decision to purchase such Securities. Investors should carefully consider the risks described below, together with all of the other information included in this Prospectus and the documents incorporated by reference into this Prospectus, before making an investment decision. Certain of these risk factors have been disclosed in our Management s Discussion and Analysis of Financial Condition and Results of Operations for the financial year ended December 31, 2006 under the heading Risks Factors and Uncertainties , which document is incorporated by reference into this Prospectus. This discussion of risk factors will be updated from time to time in our subsequent filings with the Canadian securities regulatory authorities, including in subsequent annual and quarterly management s discussion and analysis and annual information forms. If any of the following risks actually occurs or materializes, our business, financial condition or results of operations could be adversely affected, even materially adversely affected. In such an event, the trading price of our Securities could decline and you may lose part or all of your investment. Any reference in this section to our products includes a reference to our product candidates and future products we may develop.

Risks Related to Us and Our Business

Investments in biopharmaceutical companies are generally considered to be speculative.

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

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

Our product candidates remain at the development stage and we have incurred substantial expenses in our efforts to develop products. Consequently, we have incurred recurrent operating losses and, as of June 30, 2007, we had an accumulated deficit of approximately $20.7 million. Our operating losses have adversely impacted, and will continue to adversely impact, our working capital, total assets and shareholders equity. We do not expect to reach operating profitability in the immediate future, and our expenses are likely to increase as we continue to expand our research and development (R&D) and clinical study programs and our sales and marketing activities and seek regulatory approval for our product candidates. Even if we succeed in developing new commercial products, we expect to incur additional operating losses for at least the next several years. If we do not ultimately generate sufficient revenue from commercialized products and achieve or maintain operating profitability, an investment in our Securities could result in a significant or total loss.

We do not have the required regulatory approvals to market certain of our product candidates, and we do not know if we will ever receive such approvals.

With the exception of Cetrotide® (cetrorelix) for the treatment of infertility and Impavido® (miltefosine for the treatment of leishmaniasis), none of our product candidates has to date received regulatory approval for its intended commercial sale. We cannot market a pharmaceutical product in any jurisdiction until it has completed rigorous pre-clinical testing and clinical trials and passed such jurisdiction s extensive regulatory approval process. In general, significant research and development and clinical studies are required to demonstrate the safety and efficacy of our product candidates before we can submit regulatory applications. Preparing, submitting and advancing applications for regulatory approval is complex, expensive and time-consuming and entails significant uncertainty. Even if a product candidate is approved by the FDA, the Canadian Therapeutic Products Directorate or any other regulatory authority,

we may not obtain approval for an indication whose market is large enough to recuperate our investment in that product candidate. In addition, there can be no assurance that we will ever obtain all or any required regulatory approvals for any of our product candidates.

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

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

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

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

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

must meet the requirements of these authorities;

must meet requirements for informed consent; and

must meet requirements for good clinical practices.

We may not be able to comply with these requirements in respect of one or more of our product candidates.

In addition, we rely on third parties, including contract research organizations (CROs) and outside consultants, to assist us in managing and monitoring clinical trials. Our reliance on these third parties may result in delays in completing, or in failing to complete, these trials if one or more third parties fails to perform with the speed and level of competence we expect.

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

If we encounter difficulties enrolling patients in our clinical trials, our trials could be delayed or otherwise adversely affected.

Clinical trials for our product candidates require that we or third parties identify and enroll a specific number of patients. We or such third parties may not be able to enroll a sufficient number of patients to complete our clinical trials in a timely manner. Patient enrollment is a function of many factors including:

design of the protocol;

the size of the patient population;

eligibility criteria for the study in question;

perceived risks and benefits of the drug under study;

availability of competing therapies already approved;

number of competing clinical trials ongoing in the same indication;

efforts to facilitate timely enrollment in clinical trials;

patient referral practices of physicians; and

availability of clinical trial sites.