

AEQUUS PHARMACEUTICALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2020

As of November 29, 2020

This management discussion and analysis ("MD&A") of Aequus Pharmaceuticals Inc. (the "Company" or "Aequus") is for the nine months ended September 30, 2020, and is performed by management using information available as of November 29, 2020. We have prepared this MD&A with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2020, the Company's audited consolidated financial statements for the year ended December 31, 2019, and the related notes thereto ("Financial Statements"). The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws that may not be based on historical facts, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "predict", "project", "potential", "continue", "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A include but are not limited to statements relating to:

- *our ability to obtain funding for our operations, including funding for research and commercial activities;*
- *our ability to promote and market third party and licensed products, generate revenues there from, and the anticipated timing thereof, including our ability to successfully market Tacrolimus IR, ^{PR}VistitanTM and Evolve[®] in Canada;*
- *our anticipated regulatory submissions and commercial activities in Canada in respect of Topiramate XR, and Evolve[®] products;*
- *the expected benefits of Tacrolimus IR, ^{PR}VistitanTM, Topiramate XR, and Evolve[®] products; our estimates of the size and characteristics of the potential markets for Tacrolimus IR, ^{PR}VistitanTM, Topiramate XR, the Evolve[®] Products*
- *the initiation, timing, cost, progress and success of our research and development programs, pre-clinical studies and clinical trials;*
- *the value of the intellectual property of AQS1304;*
- *the success of the Company's strategic advisory board;*
- *our business model and strategic plans;*
- *our ability to advance product candidates into, and successfully complete, clinical trials;*
- *our ability to recruit sufficient numbers of patients for our future clinical trials;*
- *our ability to achieve profitability;*
- *our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;*
- *whether our third-party collaborators will maintain their intellectual property rights in the technology we license;*
- *the manufacturing capacity of third-party manufacturers for our product candidates;*

- *Aequus' business activities potentially being adversely or positively impacted by the recent outbreak of the novel coronavirus (COVID-19);*
- *the implementation of our business model and strategic plans;*
- *our ability to develop and commercialize product candidates and the costs and timing thereof;*
- *our commercialization, marketing and manufacturing capabilities and strategy;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *our expectations regarding federal, provincial and foreign regulatory requirements;*
- *whether we will receive, and the timing and costs of obtaining, regulatory approvals in Canada and the United States;*
- *the therapeutic benefits, effectiveness and safety of our product candidates and third-party products;*
- *the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;*
- *the rate and degree of market acceptance and clinical utility of our future products, if any;*
- *the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;*
- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;*
- *our ability to engage and retain the employees or consultants required to grow our business;*
- *the compensation that is expected to be paid to employees and consultants of the Company;*
- *our future financial performance and projected expenditures;*
- *developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and*
- *estimates of our expenses, future revenue, capital requirements, and our needs for additional financing.*

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language above and on pages 24-30. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

Such statements reflect our current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Aequus, as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined below under the heading "Financial Instruments" and below under the heading "Risks", as well as under the heading "Risk Factors" in the Company's 2020 Annual Information Form ("2020 AIF") filed on SEDAR (www.sedar.com).

NON-GAAP MEASURES

The Company uses certain performance measurement within this MD&A that do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"), including IFRS, and these performance measurements may differ from other companies and accordingly may not be comparable to measures used by other companies. Management of the Company believes that these performance measures are useful to provide shareholders and potential investors with additional information for evaluating the Company's performance. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

// OVERVIEW

Aequus is a specialty pharmaceutical company, with a focus on commercializing value-add products in specialty therapeutic areas in the Canadian market. Aequus' sales force currently markets third party or exclusively licensed products for which the Company receives revenues based on agreed upon percentages of net sales and/or gross sales. The Company continues to build its pipeline in ophthalmology and has recently added a number of near-commercial stage products through in-licensing agreements. Our commercial infrastructure is currently Canadian-based, with specialty sales representatives currently promoting two specialty medicines to physicians.

Our commercial programs are supported and validated by insights from patients, physicians and payers to ensure there is a realizable benefit for them from our work in advancing these products. Aequus' management team has a proven track record of successfully managing the required clinical development, regulatory approval processes, and marketing of products either directly or through collaborations. We continue to leverage our internal capabilities and know-how to execute an efficient commercial strategy and development plan to drive shareholder value.

// GROWTH STRATEGY

Aequus is a revenue-generating, specialty pharmaceutical company with commercial activities in Canada. Aequus looks to leverage its core capabilities, commercial infrastructure and existing product portfolio to continue on the Company's current growth trajectory. The Company's near-term growth strategy includes the following key components:

- Progressive build-out of the Company's commercial platform, including leveraging its specialty sales force in Canada to enable Aequus to continue to in-license and sell high-value, branded products in Canada.
- Advance near commercial stage programs through Health Canada required studies.

Aequus has launched promotional activities for three third-party products in the Canadian market. Aequus has also in-licensed two near commercial stage neurology programs, and in July 2019, Aequus announced a deal with Medicom for 5 additional ophthalmology products for Canada, with two of f these products recently achieving Health Canada approval and a third product currently being reviewed by Health Canada. Launch activities for all 3 of the Evolve products are currently underway.

Aequus expects to continue to make select investments aimed at expanding and improving the efficiency of its sales channel in Canada through a combination of in-licensing and the acquisition of high-quality, differentiated products in specialty therapeutic areas and through establishing E-Commerce capabilities allowing the Company to sell its Dry Eye products on-line.

// 2020 HIGHLIGHTS

The Company recognized \$1,741,426 in promotional services revenue during the nine months ended September 30, 2020. This is a 59% increase compared to the same period last year where revenue was \$1,097,058. The key highlights from 2020 include:

- On January 10, 2020, the Company advanced the filings for provincial reimbursement in both Quebec and British Columbia for its lead product, ^{PR}Vistitan™ (bimatoprost 0.03%). If successful, this additional coverage would advance sales in the second and third largest markets in Canada and would trigger an increase in the percentage of total revenue that Aequus receives from its partner.

- Aequus added Stu Fowler to the team, one of the most experienced commercial ophthalmology executives in Canada. Mr. Fowler joins the Company in an operational role as a Strategic Commercial Advisor and also joined the Aequus' Board of Directors. Mr. Fowler has an impressive background of operational and leadership experience in ophthalmology and is the immediate past General Manager of Alcon in Canada, and past President and General Manager of Allergan Canada, two of the largest ophthalmology companies in Canada and globally.
- On August 6, 2020 the Company closed a public offering and issued 31,250,000 Units at a price of \$0.08 per Unit for aggregate gross proceeds of \$2,500,000. Each Unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant ("Unit") of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of C\$0.12 per Common Share until expiry on August 6, 2023. The Warrants include an acceleration provision, exercisable at the Company's option, if the Company's daily volume weighted average share price is greater than C\$0.20 for ten consecutive trading days.
- On August 20, 2020, the Company announced the addition of Grant Larsen as its Chief Commercial Officer. Mr. Larsen brings almost 20 years of senior management experience in eye care. His experience specifically with Canadian Optometry, direct to consumer marketing, online technology and medical devices brings important experience to accelerate growth for Aequus' expanding portfolio of products. Mr. Larsen has a strong background in strategic leadership, most recently as the past CEO of Eye Recommend, one of Canada's largest cooperatives of optometrists. In addition, Mr. Larsen has also held senior positions at Allergan, Nikon Canada and Digital ECP.
- On October 16, 2020, the Company agreed to a contract extension under modified terms for its promotional service agreement with Sandoz Canada Inc. ("Sandoz") for Tacrolimus IR to December 31, 2021. Aequus began promotional efforts in December 2015 for Sandoz's generic tacrolimus, and has since achieved over 10x growth of the product in Canada through increased brand awareness, new patient adoption programs, and leveraging conversion experience and relationships across provinces.
- On October 19, 2020, the Company has announced that together with its partner, Medicom Healthcare Ltd. ("Medicom"), has been issued a new Medical Device License for the first of three product submissions made for the Evolve™ preservative free dry eye product line. The new Medical Device License has been issued for Evolve™ Intensive Gel – a unique cross-linked combination of Carbomer 980, Hyaluronate and glycerol – which act together to provide intensive, durable hydration for patients with moderate to severe forms of Dry Eye Disease. The formulation will be made available in an easysqueeze eye drop bottle, containing 360 drops, and no preservatives, phosphates or buffer
- On October 29, 2020 Aequus Pharmaceuticals Inc., together with its partner Medicom Healthcare Ltd., announced that Aequus has been issued a new medical device license for the second of three product submissions made for the Evolve preservative-free dry-eye product line. The new medical device license was issued for Evolve Daily Intensive -- an advanced formulation of 0.2 per cent hyaluronate, free of preservatives and phosphates, and made available in a multidose bottle for ease of use for all patients. The formulation contains 350 drops that can be dispensed with gentle squeezing -- an important feature for chronic users and many dry-eye patients.
- Aequus is advancing launch activities for the newly approved Evolve products, while a third drop in the Evolve range is currently under review with Health Canada.

// KEY STRATEGIC COLLABORATIONS

SANDOZ CANADA, INC. //

In October 2015, Aequus became the exclusive promotional and marketing partner for the first to market generic form of Tacrolimus IR. This product had already been approved by Health Canada. Aequus began promoting Tacrolimus IR for the treatment and prevention of acute rejection following organ transplantation in December 2015.

In April 2016, Aequus launched promotional efforts in Canada for ^{PR}Vistitan™, a treatment for the reduction of elevated intraocular pressure in patients with open angle glaucoma or ocular hypertension. Aequus obtained multiple provincial formulary listings within the first six months of Vistitan's launch, including a Limited-Use drug designation on the Ontario Drug Benefit Plan. In July 2018, Aequus and Sandoz agreed to extend the term of the agreement with improved economics for its promotional service agreement with Sandoz for Vistitan.

MEDICOM HEALTHCARE LTD. //

In July 2019, Aequus signed an exclusive distribution agreement with Medicom Healthcare Ltd ("Medicom"), a United Kingdom based pharmaceutical company with a focus on preservative free therapies in ophthalmology. Under the distribution agreement, Aequus will receive commercial rights to novel portions of Medicom's portfolio of ophthalmology products including the Evolve® line of preservative free dry eye products which contains five commercial products, an undisclosed preservative free ophthalmic medication, and the diagnostic eye drop Fluosine, within Canada.

On December 13, 2019, Aequus announced the signing of a term sheet to co-commercialize a portfolio of products in the USA with Medicom Healthcare. Under the proposed agreement, Aequus and Medicom will jointly commercialize Medicom's range of preservative free ophthalmics in the United States of America. The companies have been working together in 2020, prioritizing programs and developing commercialization plans for the selected programs.

SUPERNUS PHARMACEUTICALS, INC. //

In February 2016, Aequus entered into an agreement with Supernus which was amended on June 15, 2016 for certain licensing fees ("Supernus Agreement"), whereby the Company acquired the Canadian commercial rights to Topiramate XR and Oxcarbazepine XR. Both products are branded, once-daily, extended-release anti-epileptic drugs ("AEDs"), and have been successfully marketed by Supernus in the U.S. since 2013 under the tradenames Trokendi XR® and Oxtellar XR®, respectively.

Under the terms of the Supernus Agreement, Aequus will be responsible for the regulatory submission and commercial activities for both products in Canada. Supernus is eligible to receive milestone payments and royalties from product sales in Canada. Aequus has since had on-going dialogue with Health Canada around the acceptability of the FDA clinical package and foreign market experience, and expects to initiate a small clinical study to support a non-new active substance new drug submission (non-NAS NDS).

During the year ended December 31, 2019, the Company recognized a non cash impairment on the Supernus Agreement of \$478,940 due to the Company's limited ability to pay the future milestone payments in the short term. Accounting rules allow the Company to reverse this impairment if the situation changes.

// COMMERCIAL PRODUCT UPDATES

Product	Therapeutic Area	Indication	Stage				Program Status
			Preclinical	Clinical	Approval	Marketed	
Tacrolimus IR¹ (immediate-release oral tablet)	Transplant	Organ Rejection					Currently Marketed by Aequus in Canada
PRVistitan™ (bimatoprost 0.03%) ¹	Ophthalmology	Glaucoma					Currently Marketed by Aequus in Canada
Evolve® Dry Eye Line (5 products total)	Ophthalmology	Dry Eye Disease					Two products approved, third product being reviewed by Health Canada.
Preservative free prescription drug	Ophthalmology						Preparing Regulatory Submission

Completed Progress expected for 2020

¹ Aequus carries out the Canadian promotional activity for products owned by Sandoz

PRVISTITAN™ //

Aequus’ ophthalmology focused salesforce markets a branded ophthalmology product, ^{PR}Vistitan™ (bimatoprost 0.03%, ophthalmic solution). Commercial activities for this product commenced in May 2016. Aequus splits revenues of this product with its partner in a tiered structure.

Bimatoprost 0.03% is a prostaglandin approved by Health Canada for the reduction of elevated IOP in patients with open angle glaucoma or ocular hypertension. It is estimated that there are over 350,000 people living with glaucoma or ocular hypertension in Canada. The disease is the second leading cause of blindness worldwide. The incidence of glaucoma is highest in patients above the age of 80, but onset may be as early as 40 years of age. IOP-lowering drugs are prescribed as soon as the disease is diagnosed and must be taken chronically to prevent vision loss. Prostaglandins are the first-line approach among IOP-lowering agents, in 2015 bimatoprost accounted for 42% of all prostaglandin prescription volume in Canada (IMS Health).

^{PR}Vistitan™, which was approved by Health Canada in 2014, is currently the only marketed version of 0.03% bimatoprost ophthalmic solution in Canada for this indication. Since its launch, and with the support of Aequus’ promotional efforts, Vistitan™ has been successfully listed among 90% of private payor groups as well as a benefit under key provincial formularies, including the Ontario Drug Benefit Plan, Alberta Health and Manitoba Health.

In a recent study assessing the comparative efficacy of latanoprostene bunod to other treatments for intraocular pressure reduction – the main indicator of glaucoma risk - bimatoprost 0.03%, currently only available in Vistitan, was found to be the most successful¹. This study adds to a growing body of evidence that Vistitan is the most effective product available for treating glaucoma in Canada.

1. Harasymowycz PJ, Royer C, Jobin Gervais K, et al. Effectiveness of latanoprostene bunod in treating OAG and OHT: network meta-analysis. Presented at: The American Academy of Ophthalmology (AAO) 2019 Annual Meeting; October 12-15, 2019; San Francisco, California. Abstract PO176.

PRESERVATIVE FREE BIMATOPROST PRESCRIPTION DRUG //

In July 2019, Aequus completed the formal agreement with Medicom for the promotion of an undisclosed prescription preservative free ophthalmic product in Canada. Under the terms of this exclusive licensing agreement Medicom will supply the product while Aequus will be responsible for marketing, distribution, and sales in Canada upon approval of the product by Health Canada. The Company has previously met with Health Canada to receive regulatory guidance regarding this therapeutic and is in the process of preparing the regulatory package required for approval submission.

EVOLVE DRY EYE PRODUCTS //

Launched in 2015 in Europe, the Evolve[®] brand has grown to five products across 35 countries with two additional products in development. With an array of products, the brand can address the various symptoms involved with dry eye disease and blepharitis including discomfort, stinging, burning, and dryness. Currently in Canada, the dry eye market is estimated at over \$90M, which includes both prescription and over-the-counter products.

- On October 19, 2020, the Company has announced that together with its partner, Medicom Healthcare Ltd. ("Medicom"), has been issued a new Medical Device License for the first of three product submissions made for the Evolve[™] preservative free dry eye product line. The new Medical Device License has been issued for Evolve[™] Intensive Gel – a unique cross-linked combination of Carbomer 980, Hyaluronate and glycerol – which act together to provide intensive, durable hydration for patients with moderate to severe forms of Dry Eye Disease. The formulation will be made available in an easysqueeze eye drop bottle, containing 360 drops, and no preservatives, phosphates or buffer
-
- On October 29, 2020 Aequus Pharmaceuticals Inc., together with its partner Medicom Healthcare Ltd., announced that Aequus has been issued a new medical device licence for the second of three product submissions made for the Evolve preservative-free dry-eye product line. The new medical device licence was issued for Evolve Daily Intensive -- an advanced formulation of 0.2 per cent hyaluronate, free of preservatives and phosphates, and made available in a multidose bottle for ease of use for all patients. The formulation contains 350 drops that can be dispensed with gentle squeezing -- an important feature for chronic users and many dry-eye patients.
- Aequus is advancing launch activities for the newly approved Evolve products, while a third drop in the Evolve range is currently under review with Health Canada.

TACROLIMUS IR //

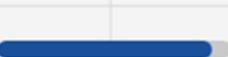
Aequus began promotional activities for Tacrolimus IR in December, 2015 and receives a tiered revenue split on incremental sales of the product over the established baseline set prior to promotion. The marketing agreement related to Tacrolimus IR expires in December of 2020. On October 16, 2020 Aequus and Sandoz announced an extension to the current marketing agreement. Discussions regarding potential expansions to the Tacrolimus agreement are ongoing.

Tacrolimus immediate release is an immunosuppressant used for the treatment and prevention of acute rejection following organ transplantation. Tacrolimus is part of a patient's immunosuppressive therapy prescribed chronically in their lifelong management to prevent graft rejection. Tacrolimus is recommended as a first line calcineurin inhibitor treatment by the BC Transplant consensus guidelines and is prescribed in >90% of new kidney transplant patients (OPTN/SRTR 2014).

Due to the chronic risk of graft rejection, tacrolimus has been classified as a Critical Dose Drug with a Narrow Therapeutic Index. In Canada, tacrolimus is available in an immediate release form, marketed under the brand name of Prograf[®] in Canada, and in an extended-release form, marketed under the brand name of Advagraf[®] in Canada. Aequus is promoting the first to market and only currently available generic version of Prograf[®].

Aequus has been successful in growing market share for Tacrolimus IR in Canada since the initiation of its promotional efforts, and in March 2018, was awarded a three-year contract with Sigma Santé, one of the largest healthcare group purchasing organizations (“GPO”) in Quebec and the final GPO in the province to list this first-to-market, generic version of Tacrolimus IR. Most recently, a major health authority in the province of British Columbia announced a change to their dispensing formulary for tacrolimus mandating that Sandoz tacrolimus, co-promoted by Aequus, is to be dispensed for all new patients requiring tacrolimus for prophylaxis of organ rejection in the province of British Columbia.

// DEVELOPMENT PRODUCT UPDATES

	Product	Indication	Stage				Program Status
			Preclinical	Clinical	Approval	Marketod	
	AQS1303 (pyridoxine/doxylamine-TDS)	Anti-nausea					Global Rights Available
	AQS1304 (cannabinoids-TDS)	Neurological Disorders					Global Rights Available
	Topiramate XR* (extended-release oral)	Epilepsy					Small PK Bridging Study

 Proprietary Programs  In-Licensed Programs  Progress expected for 2020

The Company is committed to focusing on the commercial activities and growing revenues in 2020. The key efforts supported at this time for the development programs is through business development activities, and will continue discussions around advancing Topiramate XR and Oxcarbazepine XR with a partner to meet the requirements of Health Canada.

OUT-LICENSING ACTIVITIES //

Aequus continues to pursue development collaborators and marketing partners for AQS1303 and Topiramate XR.

OTHER //

Aequus continues to maintain patents and business development for AQS1303 and AQS1304. No direct development expenditures are currently planned for these programs. All active possible direct product development programs are noted above.

// OVERALL PERFORMANCE

The Company continues to generate revenue from its commercial platform which was launched in 2016. Since then, Aequus has grown its commercial business and expects to continue growing sales revenues and its portfolio of commercial stage products.

The Company has funded its operations with proceeds from revenue as well as from equity and convertible debt financings. Aequus expects to seek additional funding through equity or debt financings and partnership collaborations to finance its product development, commercial product portfolio, and corporate growth. However, if Aequus’ product development and commercial activities do not show positive progress, or if capital market conditions in general or with respect to the life sciences sector or development stage companies such as Aequus are unfavorable, its ability to obtain additional funding will be adversely affected.

// DISCUSSION OF OPERATIONS

Aequus recorded a loss of \$251,921 during the three months ended September 30, 2020 ("Q3 2020"), which is a 62% reduction in losses compared to a loss of \$660,532 during the three months ended September 30, 2019 ("Q3 2019"). For the nine months ended September 30, 2020 ("YTD 2020"), the Company recorded a loss of \$879,984 a 57% reduction in losses compared to a loss of \$2,068,750 during the nine months ended September 30, 2019 ("YTD 2019"). The reduction in losses was mainly due to increased revenues and temporary reduction in sales expense as a result of COVID-19 restrictions.

During YTD 2020, the Company reduced research and marketing expenses as it continues to focus current efforts on growing commercial revenues. The Company had an increase of \$644,368 or 59% in the revenue from \$1,097,058 for the nine months ended September 30, 2019 to \$1,741,426 for the same period in 2020. The Company had an increase of \$248,185 or 67% in the revenue from \$370,799 for the three months ended September 30, 2019 to \$618,984 for the same period in 2020. The increase in the revenue was primarily due to increase insales volumes.

During Q3 2020, the Company continued to have limited access to customers due to COVID-19; there was a reduction in sales and marketing expenses with limited travels from field representatives. As our promoted products treat chronic conditions, this temporary reduction in customer interactions is not expected to have a significant impact on revenues.

The following table provides an overview of the financial results in Q3 2020 and YTD 2020 as compared to those in Q3 2019 and YTD 2019:

	Three Months Ended September 30,			Nine Months Ended September 30		
	2020	2019	Change	2020	2019	Change
Revenue	\$ 618,984	\$ 370,799	\$ 248,185	\$ 1,741,426	\$ 1,097,058	\$ 644,368
Operating expenditures:						
Research and development	12,997	57,280	(44,283)	41,054	178,851	(137,797)
Sales and marketing	292,343	417,950	(125,607)	1,013,785	1,378,231	(364,446)
General and administration	582,525	560,291	22,234	1,586,826	1,618,663	(31,837)
	887,865	1,035,521	(147,656)	2,641,665	3,175,745	(534,080)
Loss before other income (loss)	(268,881)	(664,722)	395,841	(900,239)	(2,078,687)	1,178,448
Other income (loss)	16,960	4,190	12,770	20,255	9,937	10,318
Net loss	\$ (251,921)	\$ (660,532)	\$408,611	\$ (879,984)	\$ (2,068,750)	\$ 1,188,766

Revenues //

The Company continues to receive its revenues by providing promotional services to sell third party owned products Tacrolimus IR and ^{PR}Vistitan™, which were launched in December 2015 and April 2016, respectively. The agreement between Sandoz and the Company contains a tiered profit structure based on agreement duration that saw a reduction in the Company's profit share that took effect on January 1, 2019 for both Vistitan and Tacrolimus. The Company has been able to mitigate the effect of this stepdown by driving unit sales growth in both Vistitan and Tacrolimus. In the future quarters Aequus expects to also generate revenue from new exclusively licensed products.

Aequus experienced an increase of \$644,368 or 59% in the revenue in September YTD 2020 compared to September YTD 2019, and an increase of \$248,185 or 67% in Q3 2020 compared to Q3 2019. Aequus stands to gain a larger profit share on ^{PR}Vistitan™ upon successful completion of certain market access and sales milestones agreed upon by both parties which would further bolster Aequus' revenue. Aequus and Sandoz have agreed to a contract extension for the

Tacrolimus agreement to December 2021 under revised terms and continue to discuss expansion of the original agreement to include other products.

Cumulative revenue related to commercial programs is as follows:

Fiscal 2016		\$ 701,633
Fiscal 2017		1,139,424
Fiscal 2018		1,410,240
Fiscal 2019		1,632,524
Fiscal 2020:		
Q1 2020	579,450	
Q2 2020	542,992	
Q3 2020	618,984	1,741,426
Cumulative revenue related to collaboration agreements ⁽¹⁾		\$ 6,625,247

⁽¹⁾ This non-GAAP measure is intended to illustrate the gross benefit of the commercial program to the Company over the period of the Sandoz agreement. This cumulative balance is a non-GAAP measure and does not have a standardized meaning under GAAP and, therefore, there are unlikely to be comparable to similar measures presented by other companies. See “Non-GAAP Measures” in this MD&A.

Research and Development Expenses //

The Company incurred research and development (“R&D”) expenses of \$12,997 in Q3 2020 as compared to \$57,280 in Q3 2019. The Company incurred R&D expenses of \$41,054 in YTD 2020 as compared to \$178,851 in YTD 2019.

There was no consulting cost in Q3 2020, and YTD 2020 compared to Q3 2019 (nil) and YTD 2019 (\$27,079) as the Company has continued to re-direct efforts from R&D and into growing commercial revenues. Share-based payments decreased by \$10,387 from Q3 2019 to Q3 2020 and \$31,558 from YTD 2019 to YTD 2020 as there were less vested stock options during these periods.

The following table summarizes the Company’s R&D expenses in Q3 2020 and YTD 2020 as compared to those in Q3 2019 and YTD 2019:

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	Change	2020	2019	Change
Consulting	\$ -	\$ -	\$ -	\$ -	\$ 27,079	\$ (27,079)
Patent and intellectual property	142	18,726	(18,584)	1,936	37,455	(35,519)
Management, wages and related	7,594	21,866	(14,272)	23,344	65,040	(41,696)
Share-based payments	5,261	15,648	(10,387)	15,691	47,249	(31,558)
Travel and accommodation	-	1,040	(1,040)	83	2,028	(1,945)
	\$12,997	\$ 57,280	(44,283)	\$ 41,054	\$ 178,851	\$ (137,797)

Sales and Marketing Expenses //

Sales and marketing (“S&M”) expenses were \$292,343 in Q3 2020 as compared to \$417,950 in Q3 2019; a decrease of \$125,607. The changes in S&M expenses were primarily impacted by the following items:

- Travel and accommodation costs decreased by \$41,362, and salesforce costs decreased by \$53,173 in Q3 2020, as compared to Q3 2019. This change was from a decrease in promotional activities and reduced work hours due to the COVID-19 pandemic impacts in Q3 2020.
- Share-based payments increased by \$34,464 in Q3 2020 as compared to Q3 2019 as there were a greater number of options vested and granted to the sales team during Q3 2020 relative to the same period last year.
- Management, wages, and related costs decreased by \$8,400 in Q3 2020 as compared to Q3 2019 due to temporary reduction in work hours for the sales management team.

S&M expenses were \$1,013,785 in YTD 2020 as compared to \$1,378,231 in YTD 2019; a decrease of \$364,446. The changes in S&M expenses were mainly driven by the following items:

- Travel and accommodation costs decreased by \$168,799, and salesforce costs decreased by \$162,610 in YTD 2020 as compared to YTD 2019. This change was from a decrease in sales activities and reduced work hours due to the COVID-19 pandemic impacts, e.g. limited travels to customers’ location and reduced in-person meetings.
- Share-based payments increased by \$50,720 in YTD 2020 as compared to YTD 2019 due to a greater number of options vested and issued to a sales team member during YTD 2020 relative to the same period last year.

The following table summarizes the Company’s S&M expenses in Q3 2020 and YTD 2020 compared to the prior year:

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	Change	2020	2019	Change
Advertising and promotion	\$ 17,090	\$ 14,615	\$ 2,475	\$ 55,244	\$ 61,689	\$ (5,945)
Depreciation and amortization	1,812	47,327	(45,515)	89,586	142,127	(52,541)
Printing and other expenses	3,583	17,679	(14,096)	9,525	24,596	(15,071)
Management, wages and related	15,000	23,400	(8,400)	60,000	70,200	(10,200)
Salesforce	192,103	245,276	(53,173)	613,564	776,174	(162,610)
Share-based payments	47,938	13,474	34,464	113,675	62,955	50,720
Travel and accommodation	14,817	56,179	(41,362)	72,191	240,990	(168,799)
	\$ 292,343	\$ 417,950	\$ (125,607)	\$ 1,013,785	\$ 1,378,231	(364,446)

General and Administration Expenses //

General and administration (“G&A”) expenses were \$582,525 in Q3 2020 compared to \$560,291 in Q3 2019, an increase of \$22,234. The changes in G&A expenses were mainly driven by the following items:

- Accretion expense of \$111,060 related to the convertible debenture the Company issued in May 2019 were recognized in Q3 2020 versus \$49,144 in Q3 2019. The Company also recognized \$1,200 of accretion related to the \$40,000 interest free loan for assistance with its response to the COVID-19 impact (Canada Emergency Business Account Program).
- The fair value of the benefit related to the interest free loan was calculated as \$9,200 and the \$10,000 forgivable portion of the loan were both recognized as income from government assistance during the three months ended September 30, 2020 where there was no similar benefit last year.
- Consulting fees increased by \$31,905 from \$78,312 in Q3 2019 to \$110,217 in Q3 2020 due to project costs related to the marketing and branding work at the corporate level being higher in Q3 2019.

- Management, wages, and related costs decreased by \$7,061 in Q3 2020 as compared to Q3 2019. This change was from the reduced work hours due to the COVID-19 pandemic impacts in Q3 2020 whereas no such an adjustment was made in Q3 2019.

G&A expenses were \$1,586,826 in YTD 2020 compared to \$1,618,663 in YTD 2019, a decrease of \$31,837. The changes in G&A expenses were mainly driven by the following items:

- Consulting fees decreased by \$150,263 from \$324,391 in YTD 2019 to \$174,128 in YTD 2020 due to project costs related to the marketing and branding work at the corporate level being higher in YTD 2019.
- Accretion expense of \$310,182 primarily related to the convertible debenture the Company issued in May 2019 and were recognized in all nine months in YTD 2020 whereas in YTD 2019, the accretion expense was only recognized for five months. This expense included \$1,200 of accretion related to the \$40,000 interest free loan for assistance with the its response to the COVID-19 impact
- Management, wages, and related costs decreased by \$101,025 in YTD 2020 as compared to YTD 2019. This change was from the reduced work hours due to the COVID-19 pandemic impacts in YTD 2020.

The following table summarizes the Company's G&A expenses in Q3 2020 and YTD 2020 as compared to those in Q3 2019 and YTD 2019:

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	Change	2020	2019	Change
Consulting	\$ 110,217	\$ 78,312	\$ 31,905	\$ 174,128	\$ 324,391	\$ (150,263)
Legal and professional fees	18,192	62,297	(44,105)	97,371	132,343	(34,972)
Other general administration expenses	91,464	99,500	(8,036)	284,445	263,824	20,621
Interest expense	82,239	69,367	12,872	219,807	130,285	89,522
Accretion expense	111,060	49,144	61,916	310,182	78,911	231,271
Regulatory and transfer agent fees	12,104	13,002	(898)	42,765	51,656	(8,891)
Management, wages, and related	128,772	135,833	(7,061)	357,481	458,506	(101,025)
Share-based payments	25,904	15,206	10,698	60,905	55,079	5,826
Travel and accommodation	2,573	37,630	(35,057)	39,742	123,668	(83,926)
	\$ 582,525	\$ 560,291	\$ 22,234	\$ 1,586,826	\$ 1,618,663	\$ (31,837)

// QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected unaudited consolidated financial data for each of the last eight fiscal quarters:

	Quarters Ended			
	Q3 2020 September 30	Q2 2020 June 30	Q1 2020 March 31	Q4 2019 December 31
Revenue	\$ 618,984	\$542,992	\$ 579,450	\$ 535,466
Revenue adjustment	-	-	-	-
Revenue	\$ 618,984	\$ 542,992	\$ 579,450	\$ 535,466
Research and development expenditures	(12,997)	(13,740)	(14,317)	(31,976)
Sales and marketing	(292,343)	(270,296)	(451,146)	(479,247)
General administration	(582,525)	(481,608)	(522,693)	(582,116)
Other income (loss)	16,960	404	2,891	(479,481)
Net loss for the period	\$ (251,921)	\$ (222,248)	\$ (405,815)	\$ (1,037,354)
Basic and diluted loss per common share	(0.00)	(0.01)	(0.01)	(0.01)

	Quarters Ended			
	Q3 2019 September 30	Q2 2019 June 30	Q1 2019 March 31	Q4 2018 December 31
Revenue before adjustment ⁽¹⁾	\$ 370,799	\$ 397,263	\$ 328,996	\$ 507,340
Revenue adjustment ⁽¹⁾	-	-	-	(270,113)
Revenue	\$ 370,799	\$ 397,263	\$ 328,996	\$ 237,227
Research and development expenditures	(57,280)	(52,493)	(69,078)	(77,730)
Sales and marketing ⁽²⁾	(417,950)	(451,185)	(509,096)	(494,679)
General administration ⁽²⁾	(560,291)	(575,841)	(482,531)	(335,262)
Other income (loss)	4,190	4,253	1,494	1,137
Net loss for the period	\$ (660,532)	\$ (678,003)	\$ (730,215)	\$ (669,307)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

⁽¹⁾ Service revenue during each quarter is recognized based on actual third-party sales of products for the reporting period based on data provided by the third party. During Q4 2018, the third party proposed an adjustment to revenue which the Company recognized prospectively, in accordance with the Company's accounting policies. The adjustment shown separately in Q4 2018 is a non-GAAP disclosure to illustrate comparable revenue prior to the adjustment. The Q4 2018 adjustment related to a Sandoz inventory reconciliation prepared in that period but does not relate solely to that period. Similar adjustments are not expected to occur again in future. This is a non-GAAP measure and does not have a standardized meaning under GAAP and, therefore, there are unlikely to be comparable to similar measures presented by other companies. See "Non-GAAP Measures" in this MD&A.

⁽²⁾ Depreciation for tangible assets of \$4,126 in total for the year ended December 31, 2018 was reallocated from general and administration into sales and marketing.

Variations in the Company's net losses and expenses and notable trends for the eight quarters above are as follows:

- The Company expects to continue to grow product sales for both Tacrolimus and Vistitan, and expects promotional marketing services revenue to increase over the duration of the contract. The Company experienced a one-time reduction in revenue from a reduced profit share percentage that took effect on January 1, 2019 in accordance with the tiered royalty structure set out in the Sandoz agreement which has had an effect on quarter over quarter revenue comparisons throughout 2019. For Vistitan, there are no further reductions in the profit-split allocation under this contract and the potential for the Company to receive an increase in royalty revenue in 2020 upon achieving specific market access milestones.
- The Tacrolimus contract was extended to December 2021 however changes in the competitive market also could impact future Tacrolimus sales.
- The Company expects new revenues from the sale of Evolve products in 2021 to be additive to existing activity and would leverage the investments the Company has already made in existing sales infrastructure.
- Throughout 2019 and into 2020, the research and development expenses were reduced as efforts focused on growing commercial revenues. No significant increases in research program spending are expected in the near term.
- The Company expects its salesforce to be able to market the Medicom products into 2021 without any material change to sales related expense trends.
- General and administration expenses fluctuated based on corporate finance and business development activities. In fiscal 2019, \$195,241 in interest and \$223,428 accretion expense relating to the new debenture issued in May 2019 was added as general expenses. During the three quarters of 2020, \$219,807 in interest and \$310,182 accretion expense were recognized related to discounted corporate debt. No other significant cost increases are expected in general administration in fiscal 2020.
- The Company recorded a non-cash \$478,940 impairment of an intangible asset in other income (loss) during Q4 2019. There was no other intangible asset impairment noted in any of the comparable quarters.
- In Q4 2018, the Company recorded a one-time negative revenue adjustment of \$270,113 resulting from an inventory reconciliation made by Sandoz. The Company has been informed by Sandoz that procedures have been modified to reduce the probability of a similar adjustment occurring in future.

// SEGMENT DISCLOSURE

The Company reports segments based on the financial information it uses in managing its business. The Company operates in two business segments with operations and assets in Canada. The Company's reportable segments are comprised of the development pipeline and the commercial platform. The Company has not earned revenue from the development pipeline segments during the nine months ended September 30, 2020 and 2019. The revenue related to the commercial platform during the nine months ended September 30, 2020 was \$1,741,426 (2019 - \$1,097,058). The Company received revenues by providing promotional services to sell third party owned products, Tacrolimus IR and ^{PR}Vistitan. One hundred percent of its generated revenues are from one arm's-length customer. Expenses from the two operating segments are summarized as follows:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020 \$	Nine Months Ended September 30, 2019 \$
Development pipeline	12,997	57,280	41,054	178,851
Commercial platform	292,343	417,950	1,013,785	1,378,231
General corporate expenses	582,525	560,291	1,586,826	1,618,663
Total	887,865	1,035,521	2,641,665	3,175,745

The Company operates in one geographical segment being the Canadian market.

// LIQUIDITY AND CAPITAL RESOURCES

	Nine Months Ended		
	September 30, 2020	September 30, 2019	Change
Cash used in operating activities	\$ (215,392)	\$ (1,311,770)	\$ 1,096,378
Cash used by investing activities	-	-	-
Cash provided by financing activities	2,069,027	1,990,400	78,627
Net increase in cash and cash equivalents	\$ 1,853,635	\$ 678,630	\$ 1,175,005

Cash used in operating activities is comprised of net loss, add-back of non-cash expenses, and net change in non-cash working capital items. Cash used in operating activities decreased by \$1,096,378 when comparing \$215,392 in September YTD 2020 to \$1,311,770 in September YTD 2019. This decrease of \$1,096,378 is primarily due to increase in the revenue and a general reduction in the expenses due to the COVID-19 pandemic impacts.

Cash provided by financing activities increased by \$78,627 in September YTD 2020 as compared to the amount reported in September YTD 2019. The Company completed a \$2.5 million equity financing in August 2020 and sale of convertible debt in May 2019..

On August 6, 2020 the Company closed a public offering and issued 31,250,000 Units at a price of \$0.08 per Unit for aggregate gross proceeds of \$2,500,000. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its success with its strategic collaborations. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

As of September 30, 2020, the Company had working capital of \$2,513,980 compared to working capital of \$631,686 as of December 31, 2019. The Company's working capital needs fluctuate due to multiple projects which place variable demands on resources and timing of expenditures. The Company is working to find additional products to promote or sell with its existing sales force, which would decrease current demands on working capital. The Company anticipates receiving cash proceeds from future revenue, the exercise of options, warrants, public offerings and private placements, however, the Company cannot predict the timing or amount of additional options and warrants that may be redeemed, if any.

Historically, the Company has used net proceeds from issuances of debt and common shares to provide sufficient funds to meet its near-term asset development plans and other contractual obligations when due.

// COMMITMENTS & CONTINGENCIES

In fiscal 2018, the Company renewed the lease agreement for its Vancouver head office premise for five years expiring November 30, 2023. Pursuant to this renewal, the Company is obligated to pay basic rent of \$11,653 and operating costs including electricity and related taxes at approximately \$7,457, on a monthly basis starting December 1, 2018. The basic rent commitment will increase to \$139,840 for the year ended December 31, 2019, 143,520 for the year ended December 31, 2020 and \$147,200, \$150,880, and \$154,560 in each of the following years. The Company has entered into sublease arrangements of the space providing monthly rental inflow of \$5,700 to offset rent expense. Lease agreements have been accounted for in accordance with IFRS 16 Leases.

Pursuant to the terms of the Supernus Agreement, and in addition to the upfront payment of \$478,940 (US\$350,000), the Company is further obligated to pay an aggregate of US\$5.15 million in milestone payments upon the achievement of specified regulatory milestones, mid-teen royalty on net sales of Topiramate XR and Oxcarbazepine XR, as well as a milestone payment of US\$1.5 million linked to achievement of specified cumulative net sales from both Topiramate XR and Oxcarbazepine XR. The Company is responsible for the regulatory submission and commercial activities for both

products in Canada. The term of the Supernus Agreement will continue as long as the Topiramate XR and Oxcarbazepine XR products are sold in Canada. During the year ended December 31, 2019, the Company recognized an impairment loss of \$478,940 due to the Company's limited ability to pay the future milestone payments in the next year.

The Company has entered into agreements with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions may survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay.

As of May 31, 2020, the Company had not made any indemnification payments under such agreements and no amount had been accrued in the Financial Statements with respect to these indemnification obligations.

// USE OF PROCEEDS FROM FINANCING

On August 6, 2020 the Company completed a prospectus equity financing of 31,250,000 units at a price of \$0.08 per unit for total proceeds of \$2,500,000 (the "Offering"). Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of C\$0.12 per Common Share until August 6, 2023.

The Company made its first payment for Evolve products during the three months ended September 30, 2020 which was shipped subsequent to September 30, 2020. A comparison of the use of proceeds disclosed in the prospectus dated July 29, 2020 to management's current estimate of the use of proceeds is as follows:

	Proposed Use of Proceeds	Estimated & Unaudited Use of Proceeds to September 30, 2020
Inventory and launch activities, including sales and marketing, for Evolve® line of preservative free dry eye products into Canada	\$1,150,000	\$176,910
Regulatory costs, inventory and launch activities for a preservative-free glaucoma prescription product	\$750,000	\$ 0
General corporate and working capital purposes, including commercial and marketing activities for other products and supporting on-going business development	\$300,000	\$27,600
Total	\$2,200,000⁽¹⁾	\$204,510

Notes:

- (1) The prospectus supplement dated July 29, 2020 discloses gross proceeds of up to \$2,500,000 and total use of proceeds of \$2,200,000, after deducting the Agent's fee and estimated expenses of the 2020 Offering.

// OUTSTANDING SHARE CAPITAL

As of November 27, 2020, there were no Class A Preferred shares without par value in the capital of the Company issued and outstanding, 111,916,540 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number Outstanding as of November 27, 2020	Number Outstanding as of September 30, 2020
Common shares issued and outstanding ⁽²⁾⁽⁴⁾	111,916,540	111,916,540
Class A preferred shares	Nil	Nil
Options ⁽¹⁾⁽⁶⁾	8,529,337	8,029,337
Common share purchase warrants	21,212,240	21,212,240
Agents' and brokers' warrants	1,955,092	1,955,092
Convertible debentures ⁽⁵⁾	2,300	2,300

Notes:

- (1) Of the 8,529,337 options outstanding at the date of this report, 5,692,169 are vested and have a weighted average exercise price of \$0.26. The remaining 2,337,169 options are not vested and have a weighted average exercise price of \$0.14.
- (2) On August 09, 2020 3,937,500 common share purchase warrants expired unexercised
- (3) On August 09, 2020 166,250 agents' warrants expired unexercised.
- (4) On August 6, 2020 the Company closed a public offering (the "Offering"). Pursuant to the Offering, Aequus issued 31,250,000 Units at a price of \$0.08 per Unit for aggregate gross proceeds of \$2,500,000. Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of C\$0.12 per Common Share until August 6, 2023. The Warrants include an acceleration provision, exercisable at the Company's option, if the Company's daily volume weighted average share price is greater than C\$0.20 for ten consecutive trading days. Commission of \$125,000 and 1,562,500 compensation warrants were issued pursuant to an agency agreement.
- (5) On August 26, 2020 \$20,000 of convertible debt was converted into 95,238 common shares and On September 16 and 23 2020, \$3,000 and \$25,000 respectively of convertible debt was converted into 133,332 common shares (14,285 and 119,047 respectively).
- (6) Subsequent to September 30, 2020, the Company granted 500,000 options to a consultant exercisable at \$0.12 per share expiring two years from the grant date.

// OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

// RELATED PARTY DISCLOSURE

Transactions with related parties

Related parties include members of the Board of Directors and officers of the Company, and enterprises controlled by these individuals. The following fees and expenses were incurred:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
	\$	\$	\$	\$
Management ^[i] ^[ii] ^[iii] ^[v] ^[vi]	142,675	159,052	437,690	436,239
Consulting ^[iv]	-	-	-	7,321
Total	142,675	159,052	437,690	443,560

- [i] Effective December 1, 2016, the Company entered into an agreement with Northview Ventures Inc. (“NVI”) and Doug Janzen, the Chief Executive Officer of the Company. During the nine months ended September 30, 2020, NVI received \$155,625 (2019 - \$135,000) in management fees. As of September 30, 2020, the Company has included in its accounts payable \$5,906 (December 31, 2019 - \$nil) due to NVI.
- [ii] Anne Stevens was compensated at a monthly rate of \$10,449 from August 31, 2018 to September 30, 2019, and \$15,625 thereafter (reduced to \$12,500 between April and July 2020 due to the Covid-19 pandemic). During the nine months ended September 30, 2020, Ms. Stevens received \$129,688 (2019 - \$94,115) in salaries.
- [iii] The Company entered into a consulting service agreement with Ian Ball the former Chief Commercial Officer of the Company. During the nine months ended September 30, 2020, the Company recognized management fee expense of \$15,000 (2019 - \$108,000) related to Mr. Ball’s services.
- [iv] The Company entered into a consulting service agreement with Dr. Donald McAfee, the Acting Chief Scientific Officer of the Company. Pursuant to the consulting agreement, Dr. McAfee was compensated at a daily rate of US\$1,000. During the nine months ended September 30, 2020, Dr. McAfee charged total consulting fees of \$nil (2019 - \$7,321).
- [v] The Company entered into a consulting service agreement with Fehr & Associates and Ann Fehr, the Chief Financial Officer of the Company. Pursuant to this consulting agreement, Mrs. Fehr is compensated at a rate of \$1,000 per month plus \$120 per hour. During the nine months ended September 30, 2020, Fehr & Associates charged total consulting fees of \$92,378 (2019 - \$99,123) for CFO and outsourced accounting services. As of September 30, 2020, the Company has included in its accounts payable and accrued liabilities \$26,783 (December 31, 2019 - \$7,690) due to Fehr & Associates.
- [vi] The Company entered into a consulting service agreement with Transcend Research and Consulting and Stuart Fowler, a director and strategic commercial advisor of the Company. During the nine months ended September 30, 2020, the Company recognized consulting expense of \$45,000 (2019 - \$nil) related to Mr. Fowler’s services. As of September 30, 2020, the Company has included in its accounts payable \$5,650 (December 31, 2019 - \$nil) due to Mr. Fowler.

The amounts owing to the related parties as described above are non-secured, non-interest bearing, and without specific terms of repayment.

Key management compensation

Key management includes members of the Board of Directors and executive officers of the Company. Compensation awarded to key management is listed below:

	Three Months Ended September 30, 2020 \$	Three Months Ended September 30, 2019 \$	Nine Months Ended September 30, 2020 \$	Nine Months Ended September 30, 2019 \$
Management, wages and related, general administration	98,487	116,052	289,503	308,760
Management, wages and related, research and development	7,313	19,600	23,344	57,279
Management, wages and related, sales and marketing	36,875	23,400	124,844	70,200
Consulting, research and development	-	-	-	7,321
Share-based payments, general administration	8,388	10,372	39,535	25,537
Share-based payments, research and development	1,673	5,698	4,965	15,740
Share-based payments, sales and marketing	42,013	1,639	90,575	10,098
Total	194,749	176,761	572,766	494,936

Other

The Company entered into two separate sublease agreements with Northview Lifesciences and Fehr & Associates for recovery of rent expense. During the nine months ended September 30, 2020, the Company received \$473 and \$33,743 (2019 - \$4,970 and \$39,375), respectively.

// FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The Company's financial instruments at September 30, 2020 include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and convertible debentures. The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3 - inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and cash equivalents is based on Level 1 inputs and the fair value of the liability component of convertible debt is based on Level 2 inputs.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and cash equivalents and amounts receivable. The Company has adopted practices to mitigate the deterioration of principal, to enhance the Company's ability to meet its liquidity needs, and to optimize yields within those parameters. These investment practices limit the investing of excess funds to liquid term deposits or cashable guaranteed investments ("GIC") with banks, and government guaranteed securities with maturities of one year or less. The Company has a cashable GIC at September 30, 2020 of \$nil (December 31, 2019 - \$300,000). Amounts receivable consists of service fees owed from one collaborative partner.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's exposure to liquidity risk is dependent on its purchasing commitments and obligations and its ability to raise funds to meet commitments and sustain operations. The Company manages liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. As of September 30, 2020, the Company had working capital of \$2,513,980 (December 31, 2019 - \$631,686).

Market risk

- Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to significant cash flow fluctuations due to interest rate changes on its convertible notes as these bear interest at a fixed rate of 9.5%. As such, fluctuations in the market interest rates during the nine months ended September 30, 2020 and year ended December 31, 2019 had no significant impact on its interest income.

- Currency risk
The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has a portion of its operating expenses in US dollars. The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows.

As at September 30, 2020, and December 31, 2019, the Company had the following assets and liabilities denominated in U.S. dollars:

	September 30, 2020 US\$	December 31, 2019 US\$
Cash and cash equivalents	1,431	1,491
Accounts payable and accrued liabilities	-	-
Total	1,431	1,491

Based on the above net exposure as at September 30, 2020, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of \$72 USD (December 31, 2019 - \$75 USD) in the Company's net loss. Furthermore, the company incurred \$103,588 USD expenditures during the nine months ended September 30, 2020 (September 30, 2019 - \$85,849 USD). A 5% appreciation or deterioration of the Canadian dollar against the U.S dollar would result in a change of \$5,179 USD. The company also incurred EURO 97,500 expenditures during the nine months ended September 30, 2020 (September 30, 2019 – nil).

// SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND POLICIES

In applying the Company's accounting policies, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Please refer to the audited financial statements for the year ended December 31, 2019 for a full list of policies.

CRITICAL JUDGMENTS //

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

- i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.
- ii. Management is required to assess the functional currency of the Company and its subsidiary. In concluding that the Canadian dollar is the functional currency of the Company and its subsidiary, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company and its subsidiary operate.
- iii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iv. Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

ESTIMATION UNCERTAINTY //

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.
- iii. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate of the useful life of the intangible assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets. The carrying amount of intangible assets does not necessarily reflect present or future value and the ultimate amount

recoverable will be dependent upon the successful commercialization of products based on these underlying technologies.

- iv. Revenues are recognized based on a calculation of estimated profits using actual third-party sales figures. Changes in estimates of revenues, including changes in estimates of revenue due to returns, are recognized prospectively as adjustments to revenue and amounts receivable. When an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense. At each reporting period the entity reviews and, when necessary, revises the estimates of revenue as services are performed.

Impairment of assets

Financial assets and non-financial assets of the Company are reviewed at the end of each reporting period or when facts and circumstances suggest their carrying values have been impaired. The Company considers assets to be impaired if the carrying values exceed the recoverable amount, being the higher of the value in use and the fair value less costs to sell.

Financial assets include cash and cash equivalents carried at fair value and amounts receivable measured at amortized cost. Amounts receivable consist of primarily of Goods and Services Tax due from the Government of Canada and revenue from customers for promotional marketing services performed. The Company considers the recoverable amounts of its financial assets to approximate their carrying values.

Non-financial assets consist of property and equipment and intangible assets. In assessing value in use for a non-financial asset, the estimated future cash flows associated with the non-financial asset are discounted to their present value using a risk adjusted pre-tax discount rate. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment immediately recognized in net income or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate, subject to the amount not exceeding the carrying amount that would have been determined had impairment loss not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in net income or loss.

Research and development costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, intent and ability to develop and use the technology, are met for deferral and amortization. No development cost has been deferred to date.

SIGNIFICANT ACCOUNTING POLICIES //

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2020.

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that, “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments to the definition of material is not expected to have a significant impact on the Company’s Financial Statements.

// RISKS

Current and prospective shareholders should specifically consider various factors, including the risks outlined below and under the heading “*Risk Factors*” in the Company’s annual information form filed on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties, including the risks listed below, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein.

Volatility of Market Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company’s operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts’ estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company’s operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

Positive Return in an Investment in the Common Shares of the Company is Not Guaranteed

There is no guarantee that an investment in the Company will earn any positive return in short term or long term. A purchase of the shares involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Common Shares is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

Dilution

The Company may issue additional securities in the future, which may dilute a shareholder’s holdings in the Company. The Company’s articles permit the issuance of an unlimited number of Common Shares, and Class A preferred shares. The Company’s shareholders do not have pre-emptive rights in connection with any future issuances of securities by the Company. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of stock options under the Company’s stock option plan and upon the exercise of outstanding warrants.

Negative Cash Flow from Operations

During the fiscal year ended December 31, 2017 and 2016, the Company had negative cash flows from operating activities. To the extent that the Company has negative cash flow in any future period, the net proceeds from future financings may be used to fund such negative cash flow from operating activities.

Development Costs and Timing

Aequus may be unable to initiate or complete development of its product candidates on Aequus' currently expected timeline, or at all. The timing for the completion of the studies for Aequus' product candidates will require funding beyond the Company's existing cash and cash equivalents. In addition, if regulatory authorities require additional time or studies to assess the safety or efficacy of a product candidate, Aequus may not have or be able to obtain adequate funding to complete the necessary steps for approval for Topiramate XR, Oxcarbazepine XR or its product candidates. Additional delays may result if the FDA or other regulatory authority recommends non-approval or restrictions on approval. Studies required to demonstrate the safety and efficacy of Aequus' product candidates are time consuming, expensive and together take several years or more to complete. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Aequus has not obtained regulatory approval for any product candidate and is possible that none of its existing product candidates or any product candidates it may seek to develop in the future will ever obtain regulatory approval. Delays in regulatory approvals or rejections of applications for regulatory approval in Canada, the United States, Europe, Japan or other markets may result from a number of factors, many of which are outside of Aequus' control.

The lengthy and unpredictable approval process, as well as the unpredictability of future clinical trial results, may result in Aequus' failure to obtain regulatory approval to market any of its product candidates, which would significantly harm Aequus' business, results of operations and prospects.

Commercial Platform Development

Aequus has been building a commercial platform since the Company's acquisition of TeOra in July 2015. The cost of establishing and maintaining that infrastructure may exceed the cost effectiveness of doing so. In order to market any products, Aequus must maintain, and may further expand, its sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. The objective is for the commercial activity to be a profit centre. If Aequus does not have adequate sales, marketing and distribution capabilities, whether independently or with third parties, Aequus may not be able to generate sufficient product revenue and promotional service revenue to become profitable. Aequus competes with many companies that have extensive and well-funded sales and marketing operations. Without an internal commercial organization or the support of a third party to perform sales and marketing functions, Aequus may be unable to compete successfully against these more established companies. Furthermore, Aequus' relationships with its third-party suppliers are subject to various risks and uncertainties that are outside of its control, including agreements with third party suppliers not being renewed or being terminated in accordance with their terms and supply and reputational risks in the event that a third-party supplier is in default under the provisions of such agreement.

Change in Laws, Regulations, and Guidelines Relating to Marijuana and Related Issues

The Company's operations are subject to a variety laws, regulations and guidelines including relating to the manufacture, management, transportation, storage, and disposal of medical marijuana as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Approval policies, laws, regulations and guidelines may change during the course of a product candidate's clinical development and may vary among jurisdictions. Any delays in obtaining, or failure to obtain regulatory approvals, including at the pre-clinical, clinical or marketing stage, would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Dependence on Key Personnel

The Company strongly depends on the business and technical expertise of its management and it is unlikely that this dependence will decrease in the near term. Loss of the Company's key personnel could slow the Company's ability to innovate, although the effect on ongoing operations would be manageable as experienced key operations personnel could

be put in place. As the Company's operations expand, additional general management resources will be required.

If the Company expands its operations, the ability of the Company to recruit, train, integrate and manage a large number of new employees is uncertain and failure to do so would have a negative impact on the Company's business plans.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the *Business Corporations Act* (British Columbia) (the "BCBCA") in dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

Intellectual Property

Our success depends on our ability to protect our proprietary rights and operate without infringing the proprietary rights of others; we may incur significant expenses or be prevented from developing and/or commercializing products as a result of an intellectual property infringement claim.

Our success will depend in part on our ability and that of our corporate collaborators to obtain and enforce patents and maintain trade secrets, both in the United States and in other countries.

The patent positions of biotechnology and biopharmaceutical companies, including us, is highly uncertain and involves complex legal and technical questions for which legal principles are not firmly established. The degree of future protection for our proprietary rights, therefore, is highly uncertain. In this regard there can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our corporate collaborators' research, development and commercialization efforts. There can be no assurance that our or our corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent applications filed by us or one of our corporate collaborators.

Our commercial success depends significantly on our ability to operate without infringing the patents and proprietary rights of third parties, and there can be no assurance that our and our corporate collaborators' technologies and products do not or will not infringe the patents or proprietary rights of others.

There can be no assurance that third parties will not independently develop similar or alternative technologies to ours, duplicate any of our technologies or the technologies of our corporate collaborators or our licensors, or design around the patented technologies developed by us, our corporate collaborators or our licensors. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations.

Litigation may also be necessary to enforce patents issued or licensed to us or our corporate collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our corporate collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office; could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our corporate collaborators to cease using certain technology or products, any of which

may have a material adverse effect on our business, financial condition and results of operations.

Reliance on Third Party Sales Data

For certain products, we rely on sales data provided by third parties in order to determine revenue recognition. If such third parties provide incorrect sales data, subsequently provide revised or corrected data or dispute previously provided data, then we may be required to recognize a prospective adjustment to revenue, whether positive or negative. As a result, our revenue may be subject to greater volatility than the underlying product sales and we are subject to the risk that such third parties have inadequate internal controls to provide accurate data, any of which may negatively impact our revenue in future periods. If we believe there is an error in any such data provided by a third party, we may dispute the data or related calculations, which may result in us incurring costs to resolve such dispute or may adversely impact our relationship with that third party.

Coronavirus Pandemic

The current outbreak of COVID-19 and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions, which may adversely impact the Company's operations, and the operations of its suppliers, contractors and service providers, the ability to obtain financing and maintain necessary liquidity, and the ability to market the Company's product menu. The outbreak of COVID-19 and political upheavals in various countries have caused changes to traditional methods of conducting business. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend to countries outside of those currently impacted. Travel bans and other government restrictions may also adversely impact the Company's operations and the ability of the Company to grow its business. In particular, if any employees or consultants of the Company become infected with Coronavirus or similar pathogens and/or the Company is unable to source necessary consumables or supplies, due to government restrictions or otherwise, it could have a material negative impact on the Company's operations and prospects, including the complete shutdown of its marketing activities. The situation is dynamic and changing day-to-day. The Company is exploring several options to deal with any repercussions that may occur as a result of the COVID-19 outbreak.

Forward-looking statements and Other Risk Factors

By their very nature, forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause our actual results, events or developments, or industry results, to be materially different from any future results, events or developments expressed or implied by such forward-looking statements or information. In evaluating these statements, current and prospective shareholders should specifically consider various factors, including the risks outlined herein and in the accompanying Shelf Prospectus and in documents incorporated by reference herein and therein, under the heading “Risk Factors” in the 2020 AIF. Some of these risks and assumptions include, without limitation, risks related to:

- fluctuations in the market price for the Company’s securities;
- risks relating to the dilution of the Company’s securities;
- uncertainties relating to the actual use of proceeds;
- Aequus potentially being required to abandon development of a product if clinical trials are not successful;
- Aequus conducting clinical trials in sites outside the U.S. and the potential that the FDA (as defined below) may not accept such data;
- regulatory approval of Aequus’ products being delayed or unobtainable if additional time or studies are required;
- regulatory approval or sales being affected if Aequus’ product candidates cause adverse effects;
- the success of AQS1303 partially depending on data not developed by Aequus, but which the FDA may rely on when reviewing Aequus’ NDA;
- none of Aequus’ development products being currently approved for commercial sale;
- Aequus having a limited history of generating revenue by promoting third party products;
- Aequus not expecting profitability in the next year and the risk that the Company may never become profitable;
- Aequus having incurred operating losses since its inception and expecting to incur losses for the foreseeable future;
- Aequus being unable to complete the development or commercialization of its product candidates or obtain their regulatory approval if it fails to obtain the necessary capital to fund its operations;
- Aequus currently generating revenue from two promotional services agreements;
- Aequus raising additional capital, which may restrict operations or cause dilution to Aequus’ existing shareholders;
- Aequus’ business to date and future viability being hard for investors to evaluate due to Aequus being a development stage company;
- Aequus having a history of negative operating cash flow, which may continue into the future;
- Aequus having a limited history of marketing drug products produced by third parties;
- Aequus’ sales and marketing infrastructure potentially being unable to generate enough revenue to cover commercial expenses;
- the commercial success of AQS1303 being substantially dependent on forming a third party partnership;
- the difficulty of profitably selling Aequus’ product candidates if their coverage and reimbursement is limited;
- Aequus’ potential international business relationships adversely affecting its business;
- commercialization of AQS1303 being impossible or their revenue being limited even if regulatory approval is obtained;
- future legislative changes potentially increasing the difficulty and cost of obtaining marketing approval and commercialization for AQS1303;
- third party coverage, reimbursement, cost containment initiatives, and treatment guidelines potentially constraining Aequus’ future revenue;
- Aequus’ reliance on third party manufacturing for their clinical and commercial supply;
- third parties conducting aspects of Aequus’ clinical trials, which if not properly managed, may jeopardize marketing approval for Aequus’ product candidates;
- Aequus’ future collaboration arrangements potentially adversely affecting the development and commercialization of Aequus’ product candidates;

- Aequus being subject to extensive regulatory review and potentially expensive ongoing obligations even if marketing approval for its product candidates is obtained;
- Aequus' product candidate being subject to labeling and other restrictions;
- Aequus being subject to penalties if it fails to comply with regulatory requirements or experiencing unanticipated problems with its product candidates;
- receiving marketing approval for AQS1303 in other countries not being guaranteed, even if these product candidates receive marketing approval in the U.S.;
- adverse effects on Aequus' business if Aequus fails to obtain FDA approval for any proposed product candidates;
- Aequus' relationships with physicians, customers and payors being subject to various laws and regulations, which could expose Aequus to various adverse consequences that could diminish profits and future earnings;
- Aequus potentially not being able to protect its proprietary technology in the marketplace;
- Aequus' intellectual property portfolio being comprised of pending patent applications, which may turn out to be unsuccessful or limited in scope;
- Aequus potentially not being able to enforce its intellectual property rights throughout the world;
- recent patent reform legislation in the U.S. increasing the uncertainty and cost of prosecuting and defending patents;
- obtaining and maintaining patent protection being contingent on ongoing compliance with various requirements imposed by governmental patent agencies;
- Aequus potentially infringing, or facing claims it infringed on third party intellectual property rights;
- Aequus potentially being unable to adequately prevent disclosure of trade secrets and other proprietary information;
- potential lawsuits relating to infringement of intellectual property rights, which could be costly, time consuming, and adversely impact the price of Common Shares;
- potential intellectual property disputes distracting Aequus' personnel and causing diversion of substantial resources;
- Aequus' growth and profitability being contingent on successfully developing and commercializing its current pipeline of additional product candidates;
- Aequus being unable to license or acquire additional product candidates or technologies from third parties;
- |
- Aequus potentially having difficulty accessing the service of U.S. banks due to AQS1304;
- successful implementation of Aequus' business strategy being dependent on attracting and retaining highly qualified personnel;
- potential product liability lawsuits being brought against Aequus and any liabilities incurred potentially limiting commercialization of AQS1303 or other product candidates;
- Aequus' business being affected by macroeconomic conditions;
- Aequus incurring significant costs and devoting substantial time to compliance initiatives;
- potential business interruptions delaying development of Aequus' product candidates and disrupting sales;
- Aequus' business and operations suffering in the event of system failures;
- Aequus' business potentially being significantly harmed by misconduct perpetrated by non-arm's length parties;
- the directors and officers of Aequus being subject to conflicts of interest;
- future sales or issuances of Aequus' securities causing the market price of Aequus' equity securities to decline;
- the Common Share price fluctuating significantly;
- Aequus potentially being subject to securities litigation, which is expensive and could divert management attention;
- Aequus' existing shareholders, officers, and directors being able to exert significant control over matters submitted to Aequus' shareholders for approval due to their substantial equity ownership;
- potential future sales of Common Shares by existing shareholders causing the Common Share price to decline;
- Aequus not being required to make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting due to its status as a venture issuer;

- as Aequus never having paid, and not anticipating paying, dividends on its Common Shares;
- the price of Common Shares potentially declining due to equity research analysts publishing negatively about Aequus' business, or not publishing about Aequus' business at all; and
- anti-takeover provisions in Aequus constating documents potentially discouraging third parties from making takeover bids that could benefit Aequus' shareholders.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) general business and economic conditions; (iv) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (v) the assumption that our current good relationships with our manufacturer and other third parties will be maintained; (vi) the availability of financing on reasonable terms; (vii) the Company's ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company's competitors; (x) the Company's ability to protect patents and proprietary rights; and (xi) the Company's ability to integrate acquired or licensed products into the Company's existing pipeline and sales infrastructure.

Should one or more of these risks or uncertainties, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

// ADDITIONAL INFORMATION

Additional information about the Company, including the Financial Statements and the Company's Annual Information Form, is available on SEDAR at www.sedar.com.