AEQUUS PHARMACEUTICALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019
As of April 28, 2020

This management discussion and analysis ("MD&A") of Aequus Pharmaceuticals Inc. (the "Company" or "Aequus") is for the year ended December 31, 2019, and is performed by management using information available as of April 24, 2019. 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 audited consolidated financial statements for the year ended December 31, 2019, and the related notes thereto ("Annual Financial Statements"). The Company's Annual 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 products, generate revenues there from, and the anticipated timing thereof, including our ability to successfully market Tacrolimus IR, [PR]Vistitan™ 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]Vistitan™,, Topiramate XR, and Evolve® products; our estimates of the size and characteristics of the potential markets for Tacrolimus IR, [PR]Vistitan™, Topiramate XR, Evolve® and our internal product candidates;*
- *the initiation, timing, cost, progress and success of our research and development programs, pre-clinical studies and clinical trials;*
- *the Company's development of its cannabinoid program (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;*
- *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 the United States, Canada, the European Union and other jurisdictions;*
- *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 27-33. 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 2019 Annual Information Form ("2019 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 products for which the Company receives revenues based on agreed upon percentages of net 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 Canadian-based, with specialty sales representatives currently promoting two specialty medicines to physicians. We leverage the unique demographics in Canada, such as a highly-concentrated population, to have an efficient sales force with diverse product offerings grown through promotional partnership agreements, asset acquisitions, and in-licenses.

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 7 additional ophthalmology products for Canada, with a number of these products expected to receive Health Canada approval and be commercially launched in 2020. These activities support the key areas of Aequus' growth strategy.

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.

// 2019 HIGHLIGHTS – For the Year Ended December 31, 2019

Commercial Activities

- 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 will be working together for the first part of 2020, prioritizing programs and developing commercialization plans for the selected programs.

- As of November 4, 2019, 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.

- On July 29, 2019, the Company signed an exclusive distribution agreement with Medicom with terms consistent to the term sheet that was previously announced in March 2019. 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 5 commercial stage products and 2 products in development, an undisclosed preservative free ophthalmic medication, and the diagnostic eye drop Fluosine for Canada.

- The Company has taken the decision to terminate the agreement with Mynosys for further promotion of the Zepto Capsulotomy System, while modifications to the handpieces are being made by the manufacturer and while we focus on launching the higher value Evolve(R) products. This decision regarding Zepto does not have a material impact on our current 2020 revenue forecast.

Corporate Activities

- On May 2, 2020, the Company issued Convertible Debenture units for gross proceeds of $2,348,000. Each Convertible Debenture Unit consists of one 9.5% unsecured convertible debenture of the Company in the principal amount of $1,000 (each, a "Convertible Debenture") and 2,380 common share purchase warrants (each, a "Warrant"). Each Convertible Debenture will be convertible at the option of the holder into common shares of the Company (each, a "Debenture Share") at a conversion price of $0.21 per Debenture Share, with interest payable semi-annually in arrears on June 30 and December 31 of each year and maturing May 2, 2022. Each Warrant entitles the holder thereof the right to purchase one common share of the Company (a "Warrant Share") at an exercise price of $0.22 per Warrant Share at any time up to May 2, 2022.

// 2020 HIGHLIGHTS - Subsequent to December 31, 2019

- On April 21, 2020, Aequus announced a positive update on the regulatory and launch advancement for the Evolve® line of preservative free dry eye products into Canada. Medicom Healthcare, the UK manufacturer of Evolve® products, received a positive outcome of the Audit to meet standards for the Canadian Medical Device Single Audit Program (MDSAP). The MDSAP, fully implemented by Health Canada in January 2019, establishes a new audit standard for all medical device manufacturers who distribute in Canada, including those with existing marketed products. As a result, there has been a large demand for the completion of audits and delays have been experienced across the industry. Aequus is pleased that the Medicom audit met the Canadian regulatory standards and we are excited to have this important regulatory step achieved for these new-to-the Canadian market medical devices.

- On January 10, 2020, the Company advanced the filings for provincial reimbursement in both Quebec and British Columbia for its lead product, PRVistitan™ (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 has accepted joining Aequus' Board of Directors with an expected start date of mid-February. 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.

- Further to its news release on February 3, 2020, Mr. Stuart Fowler has now been formally appointed to its Board of Directors. In connection with Mr. Fowler's board appointment and his new role as strategic advisor to Aequus' commercial team, the Company has granted him 350,000 incentive stock options. The Company has also granted 100,000 incentive stock options to an employee of the Company who is focused on the branding and launch preparation of the Evolve product line. These stock options are exercisable at a price of $0.13 per share, for a term of eight years, and vest in tranches during the next three years. The terms of the stock options granted on February 14, 2020 are in accordance with the Company's Stock Option Plan.

// 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 PRVistitan™, 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 of 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 5 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 will be working together for the first part of 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).

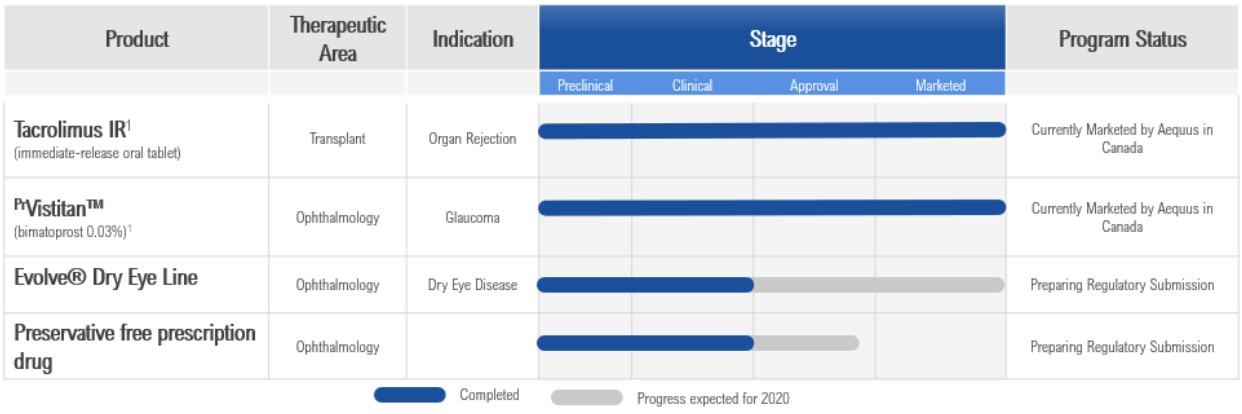
During the year ended December 31, 2019, the Company recognized an impairment on the Supernus Agreement of $478,940 due to the Company's limited ability to pay the future milestone payments in the short term. Accounting rules allow the Company to reverse this impairment if the situation changes.

MYNOSYS CELLULAR DEVICES //

In April 2018, Aequus entered into a commercial agreement with Mynosys, an ophthalmology focused medical device company based in Fremont, California, for the Canadian distribution, sales and marketing of Zepto® for cataract surgery. Zepto was approved for sale in Canada by the Therapeutic Products Directorate in February 2018, and through this agreement was launched in Canada by Aequus in the second quarter of 2018.

The Company has taken the decision to terminate the agreement with Mynosys for further promotion of the Zepto Capsulotomy System while modifications to the handpieces are being made by the manufacturer while we focus on the higher value Evolve products. This decision does not have a material impact on our current 2020 revenue forecast.

// COMMERCIAL PRODUCT UPDATES



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

[PR]VISTITAN™ //

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 successful[1]. 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.

EVOLVE DRY EYE PRODUCTS //

Launched in 2015 in Europe, the Evolve® brand has grown to 5 products across 35 countries with 2 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.

Aequus and Medicom have been working with Health Canada to review Medicom's manufacturing facility prior to submitting the regulatory package for the Evolve® line of products. On April 21, 2020, Aequus announced a positive update on the regulatory and launch advancement for the Evolve® line of preservative free dry eye products into Canada. Medicom Healthcare, the UK manufacturer of Evolve® products, received a positive outcome of the Audit to meet standards for the Canadian Medical Device Single Audit Program (MDSAP). The MDSAP, fully implemented by Health Canada in January 2019, establishes a new audit standard for all medical device manufacturers who distribute in Canada, including those with existing marketed products. As a result, there has been a large demand for the completion of audits and delays have been experienced across the industry. Aequus is pleased that the Medicom audit met the Canadian regulatory standards and we are excited to have this important regulatory step achieved for these new-to-the Canadian market medical devices.

Aequus expects to promote these products with the existing commercial infrastructure that details ophthalmologists, optometrists, and pharmacists, allowing for effective and efficient use of resources, and a seamless launch into the Canadian marketplace.

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. Aequus and Sandoz are discussing potential extensions to the Tacrolimus agreement.

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).

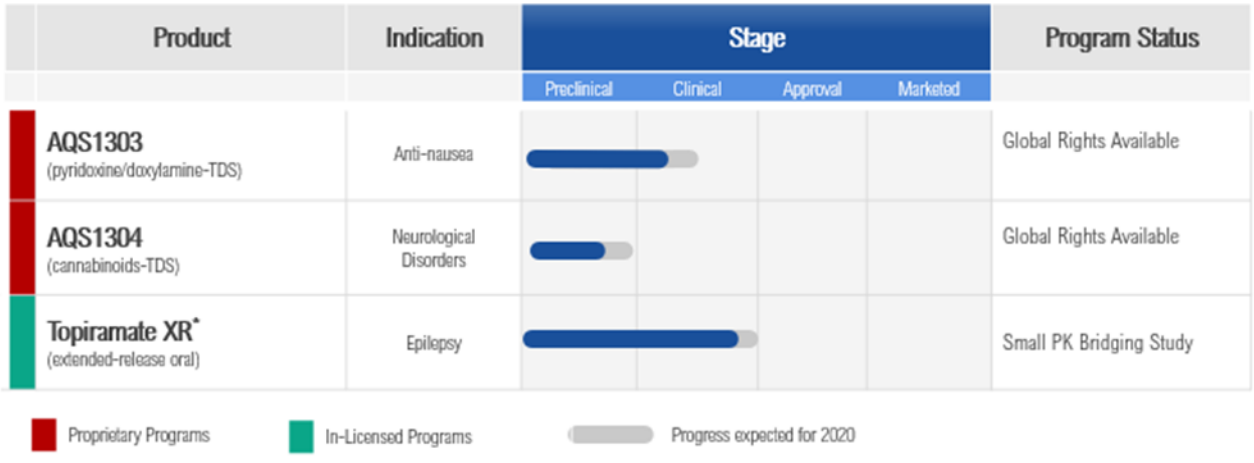
Due to the chronic risk of graft rejection, tacrolimus has been classified as a Critical Dose Drug with a Narrow Therapeutic Index. In Canada, tacrolimus is available in an immediate release form, marketed under the brand name of Prograf® in Canada, and in an extended-release form, marketed under the 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.

PRESERVATIVE FREE 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 the 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.

// DEVELOPMENT PRODUCT UPDATES



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 its internal programs in markets outside of Canada, particularly for AQS1303 and Topiramate XR.

// 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. Aequus expects its operating losses to continue in the near term as it continues to build its commercial platform.

The Company has funded its operations with proceeds from revenue as well as from equity and convertible debt financings, and 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.

// SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth selected financial information for the fiscal year ended December 31, 2019 ("Fiscal 2019"), comparable fiscal year ended December 31, 2018 ("Fiscal 2018"), and fiscal year ended December 31, 2017 ("Fiscal 2017"). The selected financial information set out below has been derived from the audited annual financial statements and accompanying notes, in each case prepared in accordance with IFRS. The selected financial information set out below may not be indicative of the Company's future performance. The following discussion should be read in conjunction with the audited financial statements.

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Total revenue	$ 1,632,524	$ 1,410,240	$ 1,139,424
Net loss for the fiscal year	(3,106,104)	(2,803,740)	(3,882,427)
Loss per share, basic and fully diluted [(1)]	(0.04)	(0.04)	(0.06)
Total assets	1,672,671	1,996,531	2,671,849
Total non-current financial liabilities	(2,073,717)	—	—
Cash dividends declared per common share	—	—	—

[(1)] Diluted loss per common share is equivalent to the basic loss per common share as the effects of outstanding warrants and options disclosed are anti-dilutive for all periods presented.

// DISCUSSION OF OPERATIONS

Aequus recorded a loss of $3,106,104 in Fiscal 2019 and a loss of $2,803,740 in Fiscal 2018. The Company recorded an operating loss of $557,873 in the three months ended December 31, 2019 and a net loss after impairment of an intangible asset of $1,037,354 ("Q4 2019") compared to a loss of $669,305 during the three months ended December 31, 2018 ("Q4 2018"). In Q4 2019, the Company recorded an impairment of intangible assets of $478,940. In Q4 2018, the Company recorded a one-time negative revenue adjustment of $270,113 resulting from an inventory reconciliation made by Sandoz whereas there is no such adjustment in Q4 2019. The Company has been informed by Sandoz that procedures have been modified to reduce the probability of a similar adjustment occurring in the future.

During Q4 2019, the Company had a $368,049 increase in the net loss that was primarily due to the $478,940 impairment of intangible assets in Q4 2019 and debenture related expenses. Also, total expenses increased by $185,670 in Q4 2019 compared to Q4 2018. The change of total expenses consists of a $45,754 decrease in research and development, a $15,431 decrease in sales and marketing, and a $246,855 increase in general and administration expenses, where the latter is mainly related to debenture interest and accretion in 2019. In Q4 2018, there was also the $270,113 negative revenue adjustment which did not occur in Q4 2019.

The following table provides an overview of the financial results in Q4 2019 as compared to those in Q4 2018 and Fiscal 2019 compared to Fiscal 2018:

	Three Months Ended Dec 31			Year Ended Dec 31		
	2019	2018	Change	2019	2018	Change
Revenue	$ 535,466	$ 237,227	$ 298,239	$ 1,632,524	$ 1,410,240	$ 222,284
Operating expenditures:						
Research and development	31,976	77,730	(45,754)	210,827	526,935	(316,108)
Sales and marketing	479,247	494,679	(15,432)	1,857,478	1,646,076	211,402
General and administration	582,116	335,262	246,854	2,200,779	2,045,258	155,521
	1,093,339	907,671	185,670	4,269,084	4,218,269	50,815
Loss before other income (loss)	(557,873)	(670,444)	112,571	(2,636,560)	(2,808,029)	171,469
Other income (loss)	(479,481)	1,137	(480,618)	(469,544)	4,289	(473,833)
Net loss	$ (1,037,354)	$ (669,307)	$ (368,047)	$ (3,106,104)	$ (2,803,740)	$ (302,364)

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.

Aequus experienced a revenue growth for both Q4 2019 and FY 2019 relative to the same period last year. During Q4 2018, there was a one-time adjustment to reduce revenue of $270,113 as a result of Sandoz factory inventory management adjustment. Excluding the adjustment, Q4 2018 revenue was $507,340. The Company has been informed by Sandoz that steps have been taken to ensure similar adjustments in the future are less likely to occur. 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. The marketing agreement related to Tacrolimus IR expires in December of 2020. Aequus and Sandoz are discussing potential extensions to the Tacrolimus agreement and continue to anticipate a new revenue stream from Evolve products expected to be launched in 2020 that will drive the top line.

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:		
- Q1 2019	328,996	
- Q2 2019	397,263	
- Q3 2019	370,799	
- Q4 2019	535,466	1,632,524
Cumulative revenue related to collaboration agreements [(1)]		$ 4,883,821

[(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.

Revenue related to Tacrolimus IR and [PR]Vistitan™ during Q4 2019 was $535,466 which is a 126% increase compared to Q4 2018. Total revenue during Fiscal 2019 was $1,632,524, a 16% increase compared to $1,410,240 in Fiscal 2018. The increase in revenues is primarily due to the one-time negative revenue adjustment of $270,113 resulting from an inventory reconciliation made by Sandoz. Due to the early stage nature of the Company, management assesses the impact of inflation and specific price changes to the company's total revenue to not be measurable at this time.

Research and Development Expenses //

The Company incurred research and development ("R&D") expenses of $210,827 in Fiscal 2019 as compared to $526,935 in Fiscal 2018. The majority of the decrease was attributable to a $216,549 reduction in consulting costs. This is due to the Company completing its AQS1303 pre-IND work in Fiscal 2018, whereas there was no similar activity in Fiscal 2019. There was no subcontract research and development costs in Fiscal 2019 compared to Fiscal 2018 as no technical research and development work was required.

The following table summarizes the Company's research and development expenses in Fiscal 2019 compared Fiscal 2018:

	Fiscal 2019	Fiscal 2018	Change
Consulting	$ 27,080	$ 243,628	$ (216,548)
Patent and intellectual property	37,454	89,728	(52,274)
Management, wages and related	92,322	96,784	(4,462)
Share-based payments	51,523	73,672	(22,149)
Subcontract research and development	-	8,297	(8,297)
Travel and accommodation	2,448	14,826	(12,378)
	$ 210,827	$ 526,935	$ (316,108)

Sales and Marketing Expenses //

Sales and marketing expenses were $1,857,478 in Fiscal 2019 as compared to $1,646,076 in Fiscal 2018, an increase of $211,402 . The changes in sales and marketing expenses were primarily impacted by the following items:

- Salesforce team costs covering promotional and marketing activities was $1,008,700 and $840,507 in Fiscal 2019 and 2018 respectively. The $168,193 increase is due to the increased number of salespersons in Fiscal 2019 relative to the Fiscal 2018, and the addition of a National Sales Manager in Ophthalmology;
- Travel and accommodation costs increased by $46,844 as compared Fiscal 2019 to 2018. This change is due to an increase in sales activities and the increase in number of outside-sales representatives.
- Printing and other costs increased by $10,031 as compared Fiscal 2019 to 2018. The increase was primarily due to the expense incurred for market access related to PRVistitan™

The following table summarizes the Company's sales and marketing expenses in Fiscal 2019 compared to Fiscal 2018:

	Fiscal 2019	Fiscal 2018	Change
Advertising and promotion	$ 146,045	$ 117,672	$ 28,373
Consulting	-	23,600	(23,600)
Depreciation and amortization	189,309	187,793	1,516
Printing and other expenses	26,555	16,524	10,031
Management, wages and related	99,450	93,600	5,850
Salesforce	1,008,700	840,507	168,193
Share-based payments	82,241	108,046	(25,805)
Travel and accommodation	305,178	258,334	46,844
	$ 1,857,478	$ 1,646,076	$ 211,402

General and Administration Expenses //

General and administration expenses were $2,200,779 in Fiscal 2019 compared to $2,045,258 in Fiscal 2018, an increase of $155,521. The changes in general and administration expenses were primarily impacted by the following items:

- In Fiscal 2019, the Company issued a Convertible Debenture. Interest expense of $195,241 and accretion expense of $223,428 related to the debenture were recognized whereas no similar debt existed in Fiscal 2018. Interest expenses in Fiscal 2019 includes $47,763 related to the lease liability where there was no lease liability recorded in Fiscal 2018;
- Management, wages and related expense increased by $133,643 due to changes to contracts related to management fees, the addition of an Employee benefit plan, and the addition of a Research Analyst in Vancouver office in Fiscal 2019;
- Consulting fees decreased by 42% or $258,874 due to project costs related to the marketing and branding works at the corporate level being higher in Fiscal 2018. There was less similar corporate level branding work in Fiscal 2019;
- Legal and professional fees increased by 15% or $24,460 in Fiscal 2019 compared to Fiscal 2018. This is primarily due to variations in business development activities.

The following table summarizes the Company's general and administration expenses in Fiscal 2019 and Fiscal 2018:

	Fiscal 2019	Fiscal 2018	Change
Consulting	$ 355,601	$ 614,475	$ (258,874)
Legal and professional fees	192,582	168,122	24,460
Other general administration	349,790	349,705	85
Interest expense	195,241	-	195,241
Accretion expense	223,428	-	223,428
Regulatory, transfer agent & listing	55,282	56,945	(1,663)
Management, wages and related	612,212	478,569	133,643
Share-based payments	67,240	164,313	(97,073)
Travel and accommodation	149,403	213,129	(63,726)
	$ 2,200,779	$ 2,045,258	$ 155,521

// QUARTERLY FINANCIAL INFORMATION

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

	Quarters Ended			
	Q4 2019 December 31	Q3 2019 September 30	Q2 2019 June 30	Q1 2019 March 31
Revenue before adjustment [1]	$ 535,466	$ 370,799	$ 397,263	$ 328,996
Revenue adjustment [1]	-	-	-	-
Revenue	535,466	370,799	397,263	328,996
Research and development expenditures	(31,976)	(57,280)	(52,493)	(69,078)
Sales and marketing	(479,247)	(417,950)	(451,185)	(509,096)
General and administration	(582,116)	(560,291)	(575,841)	(482,531)
Other income (loss)	(479,481)	4,190	4,253	1,494
Net loss for the period	(1,037,354)	(660,532)	(678,003)	(730,215)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

	Quarters Ended			
	Q4 2018 December 31	Q3 2018 September 30	Q2 2018 June 30	Q1 2018 March 31
Revenue before adjustment [1]	$ 507,340	$ 420,158	$ 377,855	$ 375,000
Revenue adjustment [1]	(270,113)	-	-	-
Revenue	237,227	420,158	377,855	375,000
Research and development expenditures	(77,730)	(76,275)	(179,962)	(192,968)
Sales and marketing [2]	(494,679)	(449,932)	(363,018)	(338,447)
General and administration [2]	(335,262)	(546,827)	(503,799)	(659,370)
Other income (loss)	1,137	1,170	2,682	(700)
Net loss for the period	(669,307)	(651,706)	(666,242)	(816,485)
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 is 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 for the eight quarters above resulted primarily from the following factors:

- 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. 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 Company expects new revenues from sale of Evolve products next year to be additive to existing activity and would leverage the investments the Company has already made in existing sales infrastructure.
- Throughout 2019, the research and development expenses have remained flat with minimal variation between quarters. No significant increases in program spend are expected.
- In 2019, the sales team was increased which was offset by other sales expenses being decreased compared to 2018. The Company expects its salesforce to be able to market the Medicom products in 2020 without any material change to expenses.
- 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. No significant cost increases are expected in general administration in the next year.
- 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.

Analysis of Q4 2019 results compared to Q4 2018

- Total revenues increased from $237,227 in Q4 2018 to $535,466 in Q4 2019. The $298,239 difference was mainly due to a one-time negative revenue adjustment in the prior year of $270,113 amount.
- Research and development expenses decreased from $77,730 in Q4 2018 to $31,976 in Q4 2019 due to a decrease in consulting expenses relating to research.
- Sales and marketing expenses decreased from $494,679 in Q4 2018 to $479,247 in Q4 2019. This decrease is mainly due to a decreased amount of travel expenses incurred by the sales team.
- General and administrative expenses increased from $335,262 in Q4 2018 to $582,116 in Q4 2019. This increase is mainly due to the interest expense and accretion expense associated with the convertible debt and the interest expense associated with the lease liability.
- In Q4 2018, the Company had other income of $1,137, which decreased to a loss of $479,481 in Q4 2019. This significant change was mainly due to the $478,940 impairment of the intangible asset.

// 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 long-term assets in Canada. The Company's reportable segments are comprised of the development pipeline and the commercial platform. Segmented information is as follows:

	Year Ended December 31, 2019 $	Year Ended December 31, 2018 $
Net revenues:		
Commercial platform	1,632,524	1,410,240
Development pipeline	-	-
Expenses:		
Development pipeline	210,827	526,935
Commercial platform	1,857,478	1,646,077
General corporate expenses	2,200,779	2,045,257
	4,269,084	4,218,269
Loss before other income (loss)	(2,636,560)	(2,808,029)
Other income (loss)	(469,544)	4,289
Net loss and comprehensive loss	(3,106,104)	(2,803,740)

There are no liabilities specifically associates with either of the two operating segments. The Company operates in one geographical segment being the Canadian Market.

The Company received revenues by providing promotional services to sell third party owned products, Tacrolimus IR and Vistitan. 100% of its generated revenues are from one arm's-length customer.

// LIQUIDITY AND CAPITAL RESOURCES

	Fiscal 2019	Fiscal 2018	Change
Cash used in operating activities	$ (1,837,840)	$ (2,573,710)	$ 735,870
Cash used in investing activities	(2,679)	(11,364)	8,685
Cash provided by financing activities	1,955,133	1,790,448	164,685
Net (decrease) increase in cash and cash equivalents	$ 114,614	$ (794,626)	$ 909,240

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 to $1,837,840 in Fiscal 2019 from $2,573,710 in Fiscal 2018. This decrease of $735,870 is primarily due to the non-cash working capital changes related to the depreciation of right of use asset, accretion expense of convertible debenture, and interest expenses of lease asset and convertible debenture. Also, the timing difference related to the non-cash working capital changes in the accounts receivable and accounts payable between the periods contributed in the decrease in the cash used in operating activities.

Cash used in investing activities in Fiscal 2019 was $2,679 compared to $11,364 in Fiscal 2018. This decrease in cash used was due to a decrease in equipment purchases compared to the prior year.

Cash provided by financing activities increased by $164,685 in Fiscal 2019 as compared to the amount reported in Fiscal 2018. In Fiscal 2019, the Company issued convertible debenture, in addition to the issuance of warrants and received net proceeds of $2,095,060, whereas the Company received net proceeds of $1,790,448 from the issuance of common shares in Fiscal 2018.

As of December 31, 2019, the Company had working capital of $631,686 compared to working capital of $920,175 as of December 31, 2018. 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.

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.

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 sublease arrangements of the space providing monthly rental inflow of $6,450 to offset rent expense. Lease agreements have been accounted for in accordance with IFRS 16 Leases. See adoption of new accounting policies below for details.

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$3.6 million in milestone payments upon the achievement of specified regulatory milestones, mid-teen percentage royalty on net sales of Topiramate XR, US$1.5 million on net sales of 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.

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 April 28, 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 January 31, 2018, the Company completed a prospectus equity financing of 1,000,000 units of the Company at a price of $0.30 per unit for total proceeds of $300,000. The proceeds were expected to be used for general corporate expenditures, including work related to marketing and branding. At December 31, 2018, the project was completed and all funds had been expended.

On July 23, 2018, the Company completed a prospectus equity financing of 4,000,000 units of the Company at a price of $0.20 per unit for total proceeds of $800,000. The proceeds were expected to be for general corporate and working capital purposes, including commercial and marketing activities, advancing internal programs, and supporting on-going business development. At December 31, 2019, the project was completed and all funds had been expended.

On May 2, 2019, the Company completed a prospectus debenture financing for gross proceeds of $2,348,000. Each Convertible Debenture Unit consists of one 9.5% unsecured convertible debenture of the Company in the principal amount of $1,000 (each, a "Convertible Debenture") and 2,380 common share purchase warrants (each, a "Warrant").

A comparison of the use of proceeds disclosed in the prospectus dated April 25, 2019 to management's current estimate of the use of proceed is as follows:

	Prospectus Maximum Use of Proceeds	Adjusted Proposed Use of Proceeds	Estimated and Unaudited Actual Use of Proceeds to Date
Regulatory Application and Launch of Medicom products	$450,000	$332,600	$111,154
Initiation of Trokendi clinical study	$200,000	$147,800	$10,000
Investments in the medical cannabis industry	$300,000	$221,700	$174,402
General corporate and working capital purposes, including commercial and marketing activities, ongoing regulatory applications and supporting on-going business development	$1,640,000	$1,211,900	$1,618,444
Total	$2,590,000[(1)]	$1,914,000[(1)]	$1,914,000

Notes:

(1) The prospectus supplement dated April 25, 2019 discloses gross proceeds of up to $3,000,000 and total use of proceeds of $2,590,000, after deducting the Agent's fee and estimated expenses of the 2019 Offering. The actual gross proceeds were $2,348,000 and net proceeds after deduction of expenses and regulatory fees was $1,914,000.

As referenced in the table above, the variance in the Company's actual use of proceeds compared to the expected use of proceeds is as follows: (i) Medicom's Evolve products have not yet been approved by the Health Canada regulatory process, which resulted in slower than expected spending on the project to date; (ii) management's planning and ground work related to the Trokendi project continues to be a focus of time, but only direct costs are disclosed in the table above and no existing management salaries have been allocated to this project; (iii) The Company is continuing to evaluate investment opportunities in the medical cannabis industry and (iv) Q3 2019 revenue was lower than expected, which resulted in working capital funds being re-allocated to support this change. The use of proceeds analysis is impacted by the timing and receipt of revenue.

// OUTSTANDING SHARE CAPITAL

As of April 28, 2020, there were no Class A Preferred shares without par value in the capital of the Company issued and outstanding, 80,437,970 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number Outstanding as of April 28, 2020	Number Outstanding as of December 31, 2019
Common Shares issued and outstanding	80,437,970	80,437,970
Class A Preferred Shares	Nil	Nil
Options [(1)]	8,548,278	8,098,278
Common Share Purchase Warrants [(2)]	9,524,740	10,524,740
Brokers' Warrants [(3)]	1,340,092	1,340,092
Convertible Debentures	2,348	2,348

Notes:

(1) Of the 8,548,278 options outstanding at April 28, 2020, 7,072,543 are vested and have a weighted average exercise price of $0.31. The remaining 1,475,735 options are not vested and have a weighted average exercise price of $0.18. During the year ended December 31, 2019, the Company granted 700,000 to the sales force that have an exercise price of $0.18. Subsequent to December 31, 2019, the Company granted 350,000 stock options to a director and 100,000 stock options to an employee with an exercise price of $0.13, a term of eight years and a vesting period of three years.

(2) During the year ended December 31, 2019, 5,588,240 common share purchase warrants were issued with a weighted average exercise price of $0.22 pursuant to the issuance of convertible debt. Subsequent to December 31, 2019, 1,000,000 common share purchase warrants expired unexercised.

(3) During the year ended December 31, 2019, 1,173,842 brokers' warrants were issued with an exercise price of $0.22 and an expiry of May 2, 2022.

// 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:

	Year Ended December 31, 2019 $	Year Ended December 31, 2018 $
Management [i] [ii] [iii] [v]	611,174	562,356
Consulting [iv]	7,321	55,413
	618,495	617,769

- Effective December 1, 2016, the Company entered into a consulting agreement with Northview Ventures Inc. ("NVI") and Doug Janzen, the Chief Executive Officer of the Company. Northview Ventures Inc. was compensated at a monthly rate of $25,000 from December 1, 2016 to March 31, 2017, $15,000 to September 30, 2020, and $18,750 thereafter. During the year ended December 31, 2019, NVI received $191,250 (2018 - $180,000) in compensation.

- Ms. Stevens was compensated at a monthly rate of $12,500 from October 1, 2017 to August 31, 2018, $10,449 to September 30, 2020, and $15,625 thereafter. During the year ended December 31, 2019, Ms. Stevens received $142,970 (2018 - $141,798) in salaries.

- The Company entered into a consulting service agreement with Mr. Ian Ball who served as the Chief Commercial Officer of the Company. Pursuant to this consulting agreement with a term to January 31, 2020, Mr. Ball is compensated at a monthly rate of $12,000 to September 30, 2020 and $15,000 thereafter. During the year ended December 31, 2019, Mr. Ball charged total consulting fees of $153,000 (2018 - $144,000).

  As of December 31, 2018, the Company has included in its accounts payable and accrued liabilities $nil (2018 - $12,459) due to Mr. Ball.

- 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 year ended December 31, 2019, Dr. McAfee charged total consulting fees of $7,321 (2018 - $55,413).

  As of December 31, 2019, the Company has included in its accounts payable and accrued liabilities $nil (2018 - $3,922) due to Dr. McAfee.

- 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 year ended December 31, 2019, Fehr & Associates charged total consulting fees of $123,954 (2017 - $96,558) for CFO and outsourced accounting services.

  As of December 31, 2019, the Company has included in its accounts payable and accrued liabilities $5,299 (2018 - $26,124) due to Fehr & Associates.

The amounts owing to the related parties as described above are non-secured, non-interest bearing, with no 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:

	Year Ended December 31, 2019 $	Year Ended December 31, 2018 $
Management, wages and related, General administration	428,169	388,306
Management, wages and related, Research and development	83,555	80,449
Management, wages and related, Sales and marketing	99,450	93,600
Consulting, Research and development	7,321	55,413
Share-based payments, General administration	49,446	114,456
Share-based payments, Research and development	20,014	51,322
Share-based payments, Sales and marketing	7,098	17,874
	695,053	801,422

Other

During the year ended December 31, 2017, the Company entered into two separate sublease agreements with Northview Lifesciences and Fehr & Associates for recovery of rent expense. During the year ended December 31, 2019, the Company received $5,136 and $52,256 (2018 - $6,115 and $39,025), respectively.

// FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The Company's financial instruments at December 31, 2019 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible debentures. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

IFRS 13 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 against 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 December 31, 2019 of $300,000 (2018 - $200,000).

Amounts receivable consists of service fees owed from a 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 December 31, 2019, the Company had working capital of $631,686 (2018 - $920,175).

Market risk

- Interest rate risk
  Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is not exposed to significant cash flows fluctuations due to interest rate changes on its convertible notes as these bear interest at a fixed 9.5% rate. As such, fluctuations in the market interest rates during the years ended December 31, 2019 and 2018 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 U.S. dollars. The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rate between the Canadian dollars relative to the U.S. dollars could have an effect on the Company's results of operations, financial position or cash flows

As at December 31, 2019 and 2018, the Company had the following assets and liabilities denominated in U.S. dollars:

	December 31, 2019 US$	December 31, 2018 US$
Cash and cash equivalents	1,491	20
Accounts payable and accrued liabilities	-	(17,537)
Total	1,491	(17,517)

Based on the above net exposure as at December 31, 2019, 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 $75 USD (2018 - $876 USD) in the Company's net loss. Furthermore, the company incurred $98,131 USD expenditures during the year ended December 31, 2019 (2018 - $244,682 USD). A 5% appreciation or deterioration of the Canadian dollar against the U.S dollar would result in a change of $4,907 USD.

// SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND KEY 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.

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 consolidated 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 amount 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.

Reclassification of prior year figures

Certain tables in the MDA have been prepared comparatively with the prior period in order to give more meaningful trend analysis regarding financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified for function of expenses. This was necessary as the Company moved from using external consultants to hiring more staff positions.

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 taxes 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.

Adoption of new accounting policy - Leases

The Company adopted the requirements of IFRS 16 effective January 1, 2019. This new standard replaces IAS 17 Leases and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current accounting for finance leases, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is substantially changed.

On adoption, the Company's lease consisted of an office lease. The Company transitioned to the new standard using the modified retrospective approach and:

- Measured the lease liability based on the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019;
- Measured the right-of-use asset as if IFRS 16 had been applied since the commencement date, but discounted using the Company's incremental borrowing rate at January 1, 2019; and
- Recording the cumulative difference to deficit.

The net impact on retained earnings on January 1, 2019 was a decrease of $1,676.

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

	$
Lease liabilities before discounting	681,470
Discounted using incremental borrowing rate	(137,214)
Operating lease liability	544,256

The following is a reconciliation of lease liabilities to right of use lease asset at January 1, 2019:

	$
Operating lease liability at January 1, 2019	544,256
Prepaid lease payment	42,877
Lease payments prior to January 1, 2019	11,653
Depreciation prior to January 1, 2019	(9,980)
Right of use lease asset at January 1, 2019	588,806

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

i. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company

ii. the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

iii. the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-

of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

// 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. 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.

The Company has been named as a respondent in an application for judicial review filed April 25, 2017, regarding the decision of the Minister of Health to designate PrVistitan™ as being interchangeable with Lumigan RC on Alberta's drug benefit list. During the year ended December 31, 2017, the Company has been removed as a respondent and is no longer named in the application. The Company does not anticipate this claim to have a material impact over its financial statements or operations in any way.

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.

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 2019 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 not having obtained regulatory approval in any country for any of its internal product candidates;
- Aequus never having submitted, and the potential that it may never be able to submit, an investigational new drug application or NDA (as defined below) in the United States or New Drug Submissions in Canada;
- 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 AQS1301 and 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 AQS1301 and 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 AQS1301, and AQS1303 being impossible or their revenue being limited even if regulatory approval is obtained;
- the proportional increase of generic products in the antipsychotic market in the case of AQS1301, making the introduction of a branded reformulated product difficult and expensive;
- future legislative changes potentially increasing the difficulty and cost of obtaining marketing approval and commercialization for AQS1301 or 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 AQS1301 or 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;
- legal changes around marijuana potentially impacting Aequus' business, operations, and financial condition;
- Aequus' recently acquired cannabinoid transdermal patch (AQS1304) potentially attracting negative publicity or consumer perception;
- the future success of AQS1304 being dependent in part on additional states in the U.S. legalizing medical marijuana;
- the fact that marijuana remains illegal under United States federal law;
- 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 AQS1301, 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.*