AEQUUS PHARMACEUTICALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2021
As of June 30, 2022

This management discussion and analysis ("MD&A") of Aequus Pharmaceuticals Inc. (the "Company" or "Aequus") is for the year ended December 31, 2021 and is performed by management using information available as of June 30, 2022. 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, 2021, and the related notes thereto ("Annual Financial Statements"). The Company's s Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Certain statements and information in this MD&A contain forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, 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 and the anticipated timing thereof, including our ability to successfully market tacrolimus immediate-release ("Tacrolimus IR"), Vistitan™ ("Vistitan") and Evolve™ ("Evolve") in Canada;*
- *the expected benefits of Tacrolimus IR, Vistitan, Evolve and REV-0100;*
- *our estimates of the size and characteristics of the potential markets for Tacrolimus IR, Vistitan, Evolve and our internal product candidates;*
- *our business model and strategic plans;*
- *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 we will be able to extend our current commercial relationships with third-party collaborators;*
- *our ability to expand commercial relationships with third-party collaborators to include additional products;*
- *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;*
- *our commercialization, marketing and manufacturing capabilities and strategy;*
- *our ability to leverage internal capabilities and know-how;*
- *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, a development and commercial partner for our product candidates;*
- *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;*
- *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;*
- *whether our e-commerce and digital technology platform will result in greater access to or benefit eyecare professionals;*
- *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, projected expenditures and ability to make investments;*
- *our expectations regarding the use of proceeds from the Company's investments, including investments in reVision and REV-0100;*
- *developments relating to our competitors and our industry, including the success of competing therapies that are or become available;*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing;*
- *our ability to repay the Loan (as defined herein), which Loan may become payable at any time on demand;*
- *the revocation of the failure-to-file cease trade order by the BCSC (as defined herein);*
- *our ability to advance product candidates into, and successfully complete, clinical trials; and*
- *our ability to recruit sufficient numbers of patients for our future clinical trials.*

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 subsequent pages. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

Such forward-looking statements reflect our current views with respect to future events, 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 2022 Annual Information Form dated June 30, 2022 ("2022 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-added products in specialty therapeutic areas in the Canadian market. Aequus' sales force currently markets third party or exclusively licensed products for which the Company receives revenues based on agreed upon percentages of net sales and/or gross sales. The Company continues to build its pipeline in ophthalmology and has recently added a number of commercial stage products through in-licensing agreements. Our commercial infrastructure is currently Canadian based, with specialty sales representatives currently promoting two specialty medicines to physicians and two over the counter ("OTC") products to eye care professionals.

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 efforts to add new products. 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.
- Targeted Business Development in key therapeutic areas: Ophthalmology, Optometry/OTC, Transplant and select Specialty RX
- Accelerate our short-term strategy of bringing Eyecare professionally exclusive, market ready OTC brands to Canadians

The Company negotiated a re-financing of two million dollars of debt that matured May 2, 2022. The new loan will allow the Company to launch Zimed upon approval and continue efforts to expand its product line.

Aequus continues to promote four third-party products in the Canadian market that include products for Dry Eye disease, glaucoma disease and transplant immunosuppressants. Aequus has submitted for review to Health Canada its fifth commercial product, a preservative-free glaucoma prescription medication called Zimed PF. This first available multi-dose, preservative free, bimatoprost product, will be unique in the Canadian market. According to Health Canada review timelines, we anticipate an NDS approval in late Q4 2022, for a mid 2023 launch.

Aequus is committed to delivering unique and differentiated products to Canadian patients. As Health Care professionals adapt and recover from COVID protocol and long term system changes, Aequus is prepared to bring added value and improved selling efficiency to all our stakeholder professionals.

We continue to seek global partners who share our vision of improved patient outcomes and innovative, value-added solutions to address healthcare pain points. Using technology to improve patient compliance, improved interactions with medical professionals and staff, and digital information and resources for patients are just some of the key areas of growth for Aequus going forward. We continue to improve our e-commerce eyecare site and associated digital technologies serving the eye care professional channel. . As we expand our product portfolio,

// HIGHLIGHTS AND SUBSEQUENT EVENTS

- The Company recognized $2,610,826 in promotional services revenue and $103,872 in product sales during the year ended December 31, 2021. Gross revenue was $2,714,698 in the year ended December 31, 2021. This is a total revenue increase of $122,085 or 5% over the same period last year.

- On February 15, 2021, Marc Lustig joined the Board of Directors. Mr. Lustig holds MSc and MBA degrees from McGill University. Mr. Lustig is an experienced life science professional. He has extensive North American capital markets experience and is a respected entrepreneur who founded and built Origin House before it was acquired by Cresco Labs. Mr. Lustig's expertise is expected to be a significant benefit to Aequus as it enters into commercialization phase of key business areas, including eye care, transplant and critical care across North America.

- On February 26, 2021, the Company closed a private placement of 6,666,666 units at a price of $0.15 per unit, for proceeds of $1,000,000, to Mr. Lustig, a director of the Company. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.25 for 24 months.

- In March 2021, Aequus launched the newly approved Evolve products. Lockdowns in several provinces had caused delays to advertising and marketing campaigns. In addition, Ontario Optometrists are operating in a work to rule manner, refusing OHIP patients under 18 years of age and over 65 years old. The older patient set are prime dry eye and glaucoma sufferers who are ideal candidates for our products.

- In March 2021, Aequus launched an e-commerce website to facilitate online sales of the Evolve products and add direct to professional (clinic) capabilities. Building direct to professional e-commerce will add future product marketing, bundling and digital communication integration.

- On March 2, 2021, Aequus announced that it has elected to exercise its right to accelerate the expiry date of the warrant under the terms of a warrant indenture dated August 6, 2020, governing the common share purchase warrants of the Company issued on August 6, 2020. Notice was given to all registered warrant holders that the expiry date for the warrants is accelerated to April 1, 2021.

- During the year ended December 31, 2021, the Company issued 12,343,750 shares at $0.12 per share pursuant to the exercise of warrants for net proceeds of $1,481,250.

- In March 2021, the Company issued 317,000 shares at $0.22 per share pursuant to the exercise of warrants for net proceeds of $69,740.

- During the year ended December 31, 2021, $292,000 of convertible debentures was converted into 1,390,475 common shares.

- On August 17, 2021, the Company entered into an Exclusive Right of First Negotiation Agreement with reVision and invested US$400,000 through reVision's open convertible note offering related to REV-0100, which is a potential therapy for patients with Stargardt disease.

- In August 2021 Dr. Robert K. Koenekoop MD, MSc, PhD, FRCS(C), FARVO joined the Company as a medical and clinical consultant to Aequus on inherited retinal diseases, and specifically to support Aequus' collaboration announced with reVision for the product REV-0100.

- On January 6, 2022, the Company announced that it has submitted a New Drug Submission (NDS) application to Health Canada for preservative-free bimatoprost 0.03% eye drops termed 'Zimed PF'. In February 2022, it has passed the screening process and the submission was accepted for review. The anticipated timing for approval is December 2022 which would allow for a product launch in Q2 2023.

- On January 11, 2022, the Company announced a 1-year extension of terms with Sandoz Canada Inc., with option for parties to renew, for promotional services related to [PR]Vistitan[TM] (bimatoprost 0.03% ophthalmic solution). Vistitan eye drops are used to reduce elevated pressure in the eye in patients with open-angle glaucoma or ocular hypertension. The profit share calculation remains the same.

- On January 24, 2022, the Company announced that it has agreed to an extension with amended terms for its promotional service agreement with Sandoz on Tacrolimus immediate release ("Tacrolimus IR") to December 31st, 2022. Aequus began Canadian promotional efforts in 2016 for Sandoz's generic Tacrolimus. Through targeted awareness, valued added services, and customized support for both provincial and transplant centre stakeholders, Aequus has achieved a 4-Year CAGR of almost 20% for the Sandoz Tacrolimus brand. The profit share calculation for Tacrolimus is significantly lower than under the original agreement and includes new performance milestones.

- On May 2, 2022, 5,270,240 share purchase warrants and 1,173,842 broker warrants, both with an exercise price of $0.22, expired unexercised.

- On March 14, 2022, the Company granted 15,000 stock options exercisable at $0.11 per common share expiring in eight years.

- On May 2, 2022, for the purpose of a short-term financing to repay the existing convertible debentures that matured May 2, 2022, the Company entered into an agreement with Mr. Doug Janzen, Chairman and Chief Executive Officer of the Company, for an unsecured demand loan of C$2 million (the "Loan"). The Loan bears interest at an annual rate of two and a half percent (2.5%), to be calculated and paid monthly, and is repayable on demand.

- On May 9, 2022, the Company was the subject of a cease trade order ("CTO") issued by the British Columbia Securities Commission ("BCSC") pending the filing of the Company's annual audited financial statements and MD&A for the 2021 financial year (collectively, the "2021 Annual Disclosure"). As a consequence of the CTO, the BCSC suspended trading of the Company's securities until the CTO is revoked. The Company filed the 2021 Annual Disclosure on June 21, 2022, however, the failure-to-file CTO will remain in place until the BCSC has issued a full revocation order.

// 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 (once a day). This product had already been approved by Health Canada. In December 2015, Aequus began promoting Tacrolimus IR for the treatment and prevention of acute rejection following organ transplantation. In October of 2020, Sandoz and Aequus extended their promotional and marketing contract till December 31st, 2021. Contract extensions for Tacrolimus and replicating this promotional success into other therapeutic areas and drugs are ongoing.

In April 2016, Aequus launched promotional efforts in Canada for Vistitan, a treatment for the reduction of elevated intraocular pressure ("IOP") 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 and interchangeability rights in Alberta. In July 2018, Aequus and Sandoz agreed to extend the term of the agreement until February 2022 with improved economics for its promotional service agreement with Sandoz for Vistitan.

While the term of the original contracts has lapsed, amended agreements were negotiated to the end of 2022. The two parties continue to discuss extending and expanding the relationship to potentially include additional products beyond Vistitan™ and Tacrolimus IR.

MEDICOM HEALTHCARE LTD. //

In July 2019, Aequus signed an exclusive distribution agreement with 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 within Canada to novel portions of Medicom's portfolio of ophthalmology products, including the Evolve line of preservative-free dry eye products, which contains five commercial products, as well as a preservative-free, multi-dose bottle, ophthalmic formulation of bimatoprost.

On December 13, 2019, Aequus announced the signing of a term sheet to co-commercialize a portfolio of products Medicom.

// COMMERCIAL PRODUCT UPDATES

Product	Therapeutic Area	Indication	Stage	Program Status
			Preclinical / Clinical / Approval / Marketed	
Tacrolimus IR[1] (immediate-release oral tablet)	Transplant	Organ Rejection	Marketed	Currently Marketed by Aequus in Canada
PTVistitan™ (bimatoprost 0.03%)[1]	Ophthalmology	Glaucoma	Marketed	Currently Marketed by Aequus in Canada
Evolve® Dry Eye Line	Ophthalmology	Dry Eye Disease	Marketed	Two products launched March 2021
Zimed-PF (bimatoprost 0.03% Preservative free prescription drug)	Ophthalmology	Glaucoma	Clinical / Approval	Approval expected December 2022

Completed — Progress Expected for 2021

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

PRVISTITAN™ //

Aequus' ophthalmology focused salesforce markets a branded ophthalmology product, PRVistitan™ (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.

PRVistitan™, 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.

PRESERVATIVE FREE BIMATOPROST PRESCRIPTION DRUG //

In July 2019, Aequus completed the formal agreement with Medicom for the promotion of preservative-free bimatoprost 0.03% ophthalmic product in Canada ("ZIMED™ PF). Under the terms of this exclusive licensing agreement, Medicom will supply the product while Aequus will be responsible for marketing, distribution and sales in Canada upon approval of the product by Health Canada. As of today, the Company has submitted a New Drug Submission application and Health Canada has accepted the submission for Screening.

Prostaglandins are the first-line approach among IOP-lowering agents and bimatoprost is the highest selling prostaglandin on the market; in the twelve months ending in June 2021, bimatoprost accounted for 46% of all prostaglandin prescription sales in Canada (IQVIA). ZIMED™ PF is positioned to be the only available preservative-free version of bimatoprost in Canada. ZIMED PF™ is expected to be the first preservative-free prostaglandin in a convenient multi-dose bottle, available in Canada.

EVOLVE™ DRY EYE PRODUCTS //

Launched in 2015 in Europe, the Evolve brand has grown to five products across 35 countries with two additional products in development. With an array of products, the brand can address the various symptoms involved with dry eye disease and blepharitis, including discomfort, stinging, burning and dryness. Currently in Canada, the dry eye market is estimated at over $100M.

- On October 19, 2020, the Company, together with its partner Medicom, was issued a new Medical Device License for the first of three product submissions made for the Evolve preservative-free dry eye product line. The new Medical Device License has been issued for Evolve Intensive Gel – a unique cross-linked combination of Carbomer 980, Hyaluronate and Glycerol – that act together to provide intensive, durable hydration for patients with moderate to severe forms of dry eye disease. The formulation will be made available in an easy-squeeze eye drop bottle, containing 360 micro-drops, and no preservatives, phosphates or buffers.

- On October 29, 2020, Aequus, together with its partner Medicom, announced that Aequus had been issued a new Medical Device License for the second of three product submissions made for the Evolve preservative-free dry eye product line. The new Medical Device License was issued for Evolve Daily Intensive – an advanced formulation of 0.2% hyaluronate, free of preservatives and phosphates, and made available in a multidose bottle for ease of use for all patients. The formulation contains 350 micro-drops that can be dispensed with gentle squeezing – an important feature for chronic users and many dry eye patients.

- In March 2021, Aequus launched the newly approved Evolve products, while a third drop in the Evolve range (carmellose 0.5%) was determined by Health Canada to require an alternative regulatory pathway (non-medical device) to the other drops. The alternative pathway was assessed and from a commercial and clinical perspective, it was decided that this product would not be pursued further by Aequus at this time.

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. On October 16, 2020, Aequus and Sandoz announced an extension to the current marketing agreement. Discussions regarding potential expansions and extensions to the Tacrolimus agreement are ongoing.

Tacrolimus IR (once a day) 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 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 Québec and the final GPO in the province to list this first-to-market, generic version of Tacrolimus IR. In late 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. Tacrolimus is now 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).

The pandemic has caused a reduction in organ availability, cancellation and reduction in transplant procedures has reduced the number of "new patients" and subsequently the growth of Tacrolimus IR. Despite these market issues, Tacrolimus has achieved consistent growth, demonstrating provincial shifts toward Effective, Safe, and Cost Effective drug solutions. We expect this to accelerate as provincial committees and administration meet more regularly as well as procedures recover to pre-pandemic levels.

reVision //

On August 17, 2021, Aequus and reVision announced a collaboration on the development of a therapy for Stargardt disease. Stargardt disease is a devastating genetic disorder that affects central vision in children and adults, often leading to blindness. There are currently no approved treatment options. reVision is a privately held, biopharmaceutical company focused on the development and commercialization of innovative therapies for rare ocular diseases. The agreement allows Aequus the option to acquire North American commercial rights to REV-0100, reVision's proprietary Stargardt disease program.

REV-0100 is based on important discovery research from Weill Cornell Medicine in New York City that shows REV-0100 can reduce elevated levels of toxic lipid material called lipofuscin in preclinical studies. reVision is thus poised to demonstrate the benefit of reducing levels of lipofuscin to alter the course of Stargardt disease progression.

As part of the option terms, the Company made an initial US$400,000 equity investment in reVision with the option to fully fund the development program in return for the North American commercial rights. Funds from the initial investment are earmarked to cover the costs of a pre-clinical toxicology study for REV-0100, which will begin in the near term. Aequus and Revision are finalizing the pre-clinical and Phase 1 clinical trial plans expected to start in Q2 2022. In parallel, negotiations on the full co-agreement are progressing as expected with completion after the pre-clinical and Phase 1 results.

OUT-LICENSING ACTIVITIES //

The Company is committed to focusing on the commercial activities and growing revenues. However, Aequus continues to be open to discussions with development collaborators and marketing partners for AQS1303 and Topiramate XR however no recent discussions have been had. The key efforts supported at this time for the development programs are through business development activities.

During the year ended December 31, 2020, Aequus no longer continued to maintain patents and business development for AQS1304. No direct development expenditures are expected for these programs. All active possible direct product development programs are noted above.

// OVERALL PERFORMANCE

The Company continues to generate revenue from its commercial platform, which was launched in 2016. Since then, Aequus has developed its promotional services business and expects to continue growing sales revenues by increasing its portfolio of commercial stage products. In March 2021, the Company expanded commercial efforts into the treatment of Dry Eye with the introduction of Evolve preservative-free lubricating eye drops. With plans to add innovative, differentiated therapeutic products and devices, Aequus channel focus is exclusively for Canadian Eyecare professionals. This B2B focus will be complemented with online professional sales, digital marketing efforts to drive traffic to professionals for improved care, and additional products and services that bring better outcomes for patients.

The Company continues to build its pipeline of products in ophthalmology and Optometry with regulatory approval for Zimed PF, global sourcing of additional eyecare partners planned for 2022. Early success of our business development efforts included not only the commercial products, but new ophthalmology-based research candidates, such as REV-0100, a potential therapy for patients with Stargardt disease.

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

// SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the fiscal year ended December 31, 2021 ("Fiscal 2021"), comparable fiscal year ended December 31, 2020 ("Fiscal 2020"), and fiscal year ended December 31, 2019 ("Fiscal 2019"). 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 2021	Fiscal 2020	Fiscal 2019
Total revenue	$ 2,714,698	$ 2,592,613	$ 1,632,524
Net loss for the fiscal year	(1,809,592)	(1,045,360)	(3,106,104)
Loss per share, basic and fully diluted [(1)]	(0.01)	(0.01)	(0.04)
Total assets	4,348,115	3,134,684	1,672,671
Total current liabilities	(2,457,068)	(384,323)	(476,048)
Total non-current liabilities	(101,982)	(2,176,407)	(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.

The following table provides an overview of the financial results in the three months ended December 31, 2021 ("Q4 2021") as compared to those in three months ended December 31, 2020 ("Q4 2020") and Fiscal 2021 compared to Fiscal 2020:

	Three Months Ended December 31			Year Ended December 31		
	2021	2020	Change	2021	2020	Change
Revenue						
Promotional	$ 827,462	$ 851,187	$ (23,725)	$ 2,610,826	$ 2,592,613	$ 18,213
Product	31,862	-	31,862	103,872	-	103,872
	859,324	851,187	8,137	2,714,698	2,592,613	122,085
Cost of goods sold	7,667	-	7,667	25,779	-	25,779
	851,657	851,187	470	2,688,919	2,592,613	96,306
Operating expenditures:						
Research and development	53,433	13,554	39,879	296,848	54,608	242,240
Sales and marketing	636,867	533,988	102,879	2,190,592	1,547,773	642,819
General and administration	491,225	468,395	22,830	2,023,773	2,055,221	(31,448)
	1,181,525	1,015,937	165,588	4,511,213	3,657,602	853,611
Loss before other income (loss)	(329,868)	(164,750)	(165,118)	(1,822,294)	(1,064,989)	(757,305)
Other income (loss)	2,511	(626)	3,137	12,702	19,629	(6,927)
Net loss	$ (327,357)	$ (165,376)	$ (161,981)	$ (1,809,592)	$ (1,045,360)	$ (764,232)

// DISCUSSION OF OPERATIONS

Aequus recorded a net loss of $1,809,592 in Fiscal 2021 which is 73% higher than the loss of $1,045,360 in Fiscal 2020. The Fiscal 2021 increase in losses was mainly due to costs associated with the planned New Drug Submission (NDS) application to Health Canada for preservative-free bimatoprost 0.03% eye drops termed 'Zimed PF'. The loss is also magnified as the Company had reduced spending in Fiscal 2020 in response to uncertainties related to the COVID-19 pandemic.

During Fiscal 2021, the Company incurred expenses related to bringing Zimed PF through regulatory approval and as a result the related expenses in research and development ("R&D") increased by $242,240 (444%) in Fiscal 2021. A portion of R&D expenses related to Zimed PF may become eligible for recovery from Medicom.

During much of Fiscal 2021, the Company suspended costs cutting measures that were implemented during Fiscal 2020. As a result, there was an increase in sales and marketing expenses which included the launch of the Evolve products.

The Company recorded an operating loss of $329,868 in Q4 2021 and a net loss after other expenses of $327,357 compared to a loss of $165,376 during Q4 2020. The Q4 2021 increase in losses was mainly due to the suspension of cost cutting measures that were implemented in the same time last year due to COVID-19. Maintaining marketing support and resuming sales activity is critical to future generation of revenue and required for promotional contracts.

During Q4 2021, the Company had a $161,981 increase in the net loss that was primarily due to increased spending in product development as well as higher marketing costs related to the website and the Evolve product which was launched during 2021. Also, total expenses increase by $165,588 in Q4 2021 compared to Q4 2020. The change of total expenses consists of a $39,879 increase in research and development, a $102,879 increase in sales and marketing, and a $22,830 increase in general and administration expenses, where the latter is mainly related to change in personnel and related payroll expenses during Q4 2021 and an adjustment to accretion expense in Q4 2020.

Revenues //

The overall Company revenues achieved during the year ended December 31, 2021 were the highest since incorporation. 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. Revenue from the marketing efforts related to Vistitan have performed with steady growth and are expected to have continued growth whereas Tacrolimus IR revenue is expected to be impacted by contractual changes. In the future quarters Aequus expects to also generate revenue from new, exclusively licensed products.

In Q1 2021, Aequus began to generate revenues from the Evolve products. In October 2020, the Company was issued new Medical Device Licenses for two products in the Evolve preservative-free dry eye product line. The Medical Device Licenses have been issued for Evolve Intensive Gel and Evolve Daily Intensive. The online platform development and remote selling capabilities bring new growth opportunities to specialty ophthalmic areas across Canada and into the future.

Aequus experienced an increase of $122,085 or 5% in the revenue in Fiscal 2021 compared to Fiscal 2020. This change was primarily driven by the increase in sales and marketing efforts compared to Fiscal 2020 and the launch of Evolve products. Aequus stands to gain a larger profit share on [PR]Vistitan™ upon successful completion of certain market access and sales milestones agreed upon by both parties which would further bolster Aequus' revenue. Aequus and Sandoz have agreed to a contract extension for the Tacrolimus agreement to December 2022 under revised terms and continue to discuss expansion of the original agreement to include other products.

The Sandoz agreements allowed the Company to build infrastructure which enables the Company to look for and add new products. Cumulative revenue related to Sandoz contracts under the initial term to December 31, 2021, is as follows:

Fiscal 2016		$ 701,633
Fiscal 2017		1,139,424
Fiscal 2018		1,410,240
Fiscal 2019		1,632,524
Fiscal 2020:		2,592,613
Fiscal 2021:		
- Q1 2021	481,463	
- Q2 2021	632,900	
- Q3 2021	669,000	
- Q4 2021	827,463	2,610,826
Cumulative revenue related to certain collaboration agreements [(1)]		$ 10,087,260

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

RESEARCH AND DEVELOPMENT EXPENSES //

The Company incurred research and development ("R&D") expenses of $296,848 in Fiscal 2021 compared to $54,608 in Fiscal 2020. The majority of the increase was attributable to increase was mainly attributable to strategic consulting services on quality assurance support, media engagements and work related to market access, and authorization submissions to Health Canada.

There were no share-based payments or management fees related to R&D in Fiscal 2021 compared to Fiscal 2020 ($18,293 and $31,781, respectively), as the Company continued to re-direct efforts from R&D into growing commercial revenues.

The following table summarizes the Company's research and development expenses in Fiscal 2021 compared Fiscal 2020:

	Fiscal 2021	Fiscal 2020	Change
Consulting	$ 286,244	$ -	$ 286,244
Management, wages and related	-	31,781	(31,781)
Development costs	7,528	-	7,528
Patent and intellectual property protection	3,006	4,451	(1,445)
Share-based payments	-	18,293	(18,293)
Travel and accommodation	70	83	(13)
	$ 296,848	$ 54,608	$ (242,240)

SALES AND MARKETING EXPENSES //

Sales and marketing ("S&M") expenses were $2,190,592 in Fiscal 2021 compared to $1,547,773 in Fiscal 2020, an increase of $642,819. The changes in S&M expenses were primarily impacted by the following items:

- Advertising and promotion costs increased by $141,985 in Fiscal 2021, as compared to Fiscal 2020, mainly due to the launch of the Evolve product line.
- Printing and other expenses increased by $68,814. This increase related to the launch of the Evolve line and acquisition of periodical literature relating to other commercial products.

- Travel and accommodation costs were $6,360 lower during Fiscal 2021 relative to Fiscal 2020 as a result of variations in the normal course of business.
- Sales force costs increased by $476,308 in Fiscal 2021, as compared to Fiscal 2020. This change stems from increases in the number of sales and marketing staff to accommodate direct product sales of Evolve. COVID-19 pandemic restrictions also increased costs as restrictions were reduced during Fiscal 2021 relative to the same period last year, when most of the sales force was on Covid leave
- Consulting costs increased by $155,355 in Fiscal 2021 as the Company experienced new requirement for technical support with technical sales and product marketing strategies, which was not required during YTD 2020.
- Depreciation and amortization costs decreased by $82,857 in Fiscal 2021, as compared to Fiscal 2020. This change was mainly driven by the TeOra Health Ltd. asset being fully amortized during Fiscal 2021 whereas the asset was still being amortized during Fiscal 2020.
- Management, wages and related were $60,409 lower in Fiscal 2021 compared to Fiscal 2020 because the number of senior management positions was reduced in 2021 compared to 2020. The Chief Commercial Officer was also a more integral part of the Salesforce during 2021 relative to prior year.

The following table summarizes the Company's sales and marketing expenses in Fiscal 2021 compared to Fiscal 2020:

	Fiscal 2021	Fiscal 2020	Change
Advertising and promotion	$ 241,229	$ 99,244	$ 141,985
Consulting	155,355	-	155,355
Depreciation and amortization	8,352	91,209	(82,857)
Management, wages and related	60,000	120,409	(60,409)
Printing and other	112,295	43,481	68,814
Salesforce	1,435,192	958,884	476,308
Share-based payments	100,416	150,433	(50,017)
Travel and accommodation	77,753	84,113	(6,360)
	$ 2,190,592	$ 1,547,773	$ 642,819

General and Administration Expenses //

General and administration ("G&A") expenses were $2,023,773 in Fiscal 2021 compared to $2,055,221 in Fiscal 2020, a decrease of $31,448. The changes in G&A expenses were mainly driven by the following items:

- Consulting fees decreased by $203,412 from $348,985 in Fiscal 2020 to $145,573 in Fiscal 2021 due to reduced expenditures related to investor communication, opportunity assessments and corporate development matters.
- Management, wages, and related increased by $182,915 in Fiscal 2021 to $643,423 from $460,508 due to an increase in employee resources required to support the Evolve launch and implementation of the new e-commerce platform. In addition, reliance on external consultants was reduced in Fiscal 2021 relative to Fiscal 2020.
- Interest expense decreased by $70,420 in Fiscal 2021 as compared to Fiscal 2020 primarily due to $292,000 of conversions of convertible debentures.
- Share-based payments decreased by $13,575 in Fiscal 2021 as compared to Fiscal 2020 due to a lower number of options vested and issued to staff, officers, and directors.

The following table summarizes the Company's general and administration expenses in Fiscal 2021 and Fiscal 2020:

	Fiscal 2021	Fiscal 2020	Change
Accretion	$ 240,076	$ 234,409	$ 5,667
Consulting	145,573	348,985	(203,412)
Depreciation of right-of-use leased asset	119,757	119,757	-
Interest	214,764	285,184	(70,420)
Legal and professional fees	170,180	114,859	55,321
Management, wages and related	643,423	460,508	182,915
Office and general	262,355	258,991	3,364
Regulatory and transfer agent fees	77,164	60,064	17,100
Share-based payments	115,342	128,917	(13,575)
Travel and accommodation	35,139	43,547	(8,408)
	$ 2,023,773	$ 2,055,221	$ (31,448)

// QUARTERLY FINANCIAL INFORMATION

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

	Quarters Ended			
	Q4 2021 December 31	Q3 2021 September 30	Q2 2021 June 30	Q1 2021 March 31
Revenue				
Promotional[1]	$ 827,462	$ 669,000	$ 632,900	$ 481,463
Products	31,862	43,036	18,616	10,358
	859,324	712,036	651,516	491,821
Cost of goods sold	7,667	10,549	4,949	2,613
	851,657	701,487	646,567	489,208
Research and development expenditures	(53,433)	(49,122)	(106,395)	(87,898)
Sales and marketing expenditures	(636,867)	(551,966)	(523,929)	(477,830)
General administration expenditures	(491,225)	(488,039)	(497,393)	(547,116)
Other income	2,511	6,104	2,109	1,978
Net loss for the period	$ (327,357)	$ (381,536)	$ (479,041)	$ (621,658)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.01)

	Quarters Ended			
	Q4 2020 December 31	Q3 2020 September 30	Q2 2020 June 30	Q1 2020 March 31
Revenue				
Promotional[1]	$ 851,187	$ 618,984	$ 542,992	$ 579,450
Products	-	-	-	-
	851,187	618,984	542,992	579,450
Cost of goods sold	-	-	-	-
	851,187	618,984	542,992	579,450
Research and development expenditures	(13,554)	(12,997)	(13,740)	(14,317)
Sales and marketing expenditures	(533,988)	(292,343)	(270,296)	(451,146)
General administration expenditures	(468,395)	(582,525)	(481,608)	(522,693)
Other income (loss)	(626)	16,960	404	2,891
Net loss for the period	$ (165,376)	$ (251,921)	$ (222,248)	$ (405,815)
Basic and diluted loss per common share	(0.00)	(0.00)	(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.

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

- On March 1, 2021, the Company announced the commercial availability of Evolve preservative-free lubricating eye drops for dry eye care. In Q1 2021 sales commenced soon after the Health Canada approval of the product for sale in Canada. Launch activities and advertising has been affected in several provinces due to COVID-19-related reductions in healthcare services and limited direct access to optometry and ophthalmology offices.

- The Company expects to continue to generate new revenues from the sale of Evolve products in 2022; this is additive to existing promotional sales activity and leverages the investments the Company has already made in existing sales infrastructure. Significant efforts and investments are being made into e-commerce platforms, digital business-to-business and remote selling technology. Our ability to target specialties with integrated marketing and digital resources makes Aequus more commercially agile. There are still some increases in product specific expenses relating to this new product activity. The Company is regularly evaluating its current sales force resources distribution and may modify the team structure accordingly.

- The Tacrolimus contract was amended and extended to December 2022; The two parties continue to discuss extending and expanding the relationship to potentially include additional products beyond Vistitan™ and Tacrolimus. Changes in the competitive market also could impact future Tacrolimus sales but the timing of any disruption is not predictable at this time.

- With the sudden onset of Covid 19 in 2020 Aequus like many companies aggressively lowered costs, slowed down programs and reduced sales force costs during Q2 and Q3 2020. In 2021 we more aggressively invested in future growth, launching the Evolve products, funding the regulatory costs of Zimed, increasing our commercial team and expanded our global sourcing efforts for new products and research investments, including the reVision transaction.

- A temporary increase in S&M costs in 2021 and the first half 2022 is expected due to the Evolve product launch and related new product startup costs associated with the regulatory submission in February 2022 for Zimed-PF. These startup costs also include the creation of a new e-commerce platform, website, remote selling and customer relationship management ("CRM") databases.

Analysis of Q4 2021 results compared to Q4 2020

- Total revenues increased from $851,187 in Q4 2020 to $859,324 in Q4 2021. The $8,137 difference was mainly due to an increase in revenue related to Tacrolimus and Vistitan.
- Research and development expenses increased from $13,554 in Q4 2020 to $53,433 in Q4 2021 due to an increase in consulting expenses relating to Zimed-PF.
- Sales and marketing expenses increased from $533,988 in Q4 2020 to $636,867 in Q4 2021. This increase is mainly due to changes in personnel, website related costs and related costs between the periods.
- General and administrative expenses increased from $468,395 in Q4 2020 to $491,225 in Q4 2021. This increase is mainly due to the changes in accretion expense associated with the convertible debt as well as from reduction in consulting services received.

// SEGMENT DISCLOSURE

The Chief Executive Officer is the Company's chief operating decision-maker ("CODM"). The Company has determined that there are two operating segments based on the information reviewed by the (CODM) for the purposes of allocating resources and assessing performance. The Company's reportable segments are comprised of the commercial platform and the development pipeline.

The Company received revenues from the sale of dry eye products and by providing promotional services to sell third party owned products, namely Tacrolimus IR and Vistitan. Over 96% (2020 – 100%) of its generated revenues are from one arm's length customer. The Company operates in one geographical segment, being the Canadian market.

For the year ended December 31, 2021, the Company had revenues of $2,610,826 and $103,872 for promotional services and dry eye products sales, respectively.

At December 31, 2021, the Company has product inventory in the amount of $139,826 (December 31, 2020 - $123,322). Select product inventory was given away as samples and expensed during the year ended December 21, 2021.

Expenses from the two operating segments are summarized as follows:

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $
Net revenues:		
Commercial platform	2,688,919	2,592,613
Expenses:		
Development pipeline	296,848	54,608
Commercial platform	2,190,592	1,547,773
General corporate expenses	2,023,773	2,055,221
	4,511,213	3,657,602
Loss before other income	(1,822,294)	(1,064,989)
Other income	12,702	19,629
Net loss and comprehensive loss	(1,809,592)	(1,045,360)

The Company has a commercial platform and plans to support development of new products. There are no liabilities specifically associated with either of the two operating segments. The Company operates in one geographical segment, being the Canadian market.

// LIQUIDITY AND CAPITAL RESOURCES

	Fiscal 2021	Fiscal 2020	Change
Cash used in operating activities	$ (1,172,209)	$ (804,908)	$ (367,301)
Cash used in investing activities	(507,961)	(12,317)	(495,644)
Cash provided by financing activities	2,397,732	2,051,588	346,144
Net increase in cash and cash equivalents	$ 717,562	$ 1,234,363	$ 516,801

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 increased to $1,172,209 in Fiscal 2021 from $804,908 in Fiscal 2020. This increase of $367,301 is primarily due to increase in net loss during Fiscal 2021.

Cash used in investing activities in Fiscal 2021 was $507,961 compared to $12,317 in Fiscal 2020. This increase in cash used was primarily due to the investment in revision as well as acquisition of computer equipment related to the new e-commerce platform during Fiscal 2021.

The cash inflow from financing activities in Fiscal 2021 is mainly from a private placement of 6,666,666 units and the issuance of 12,660,750 shares pursuant to the exercise of warrants for net proceeds of $1,000,000 and $1,545,240 respectively.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its success with its strategic collaborations. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

As of December 31, 2021, the Company had working capital of $1,135,907 compared to working capital of $2,384,073 as of December 31, 2020. The Company's working capital needs fluctuated 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 or warrants, public offerings and private placements; however, the Company cannot predict the timing or amount of additional options and warrants that may be redeemed, if any.

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

Subsequent to December 31, 2021, for the purpose of a short-term financing to repay the existing convertible debentures that matured May 2, 2022, the Company entered into an agreement with Mr. Doug Janzen, Chairman and Chief Executive Officer of the Company, for a secured demand loan of C$2 million. The Loan bears interest at an annual rate of two and a half percent (2.5%), to be calculated and repaid monthly, and is repayable on demand.

// USE OF PROCEEDS FROM FINANCING

On August 6, 2020, the Company completed a prospectus equity financing of 31,250,000 units at a price of $0.08 per unit for total proceeds of $2,500,000 (the "Offering"). Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant of the Company.

The Company made its first payment for Evolve™ product during the three months ended September 30, 2020 which was shipped in Q4 2020. Sale of the Evolve™ product began in March of 2021 with a second shipment of products arriving during the month of September 2021. A comparison of the use of proceeds disclosed in the prospectus dated July 29, 2020 to management's current estimate of the use of proceeds is as follows:

	Proposed Use of Proceeds	Estimated & Unaudited Use of Proceeds to December 31, 2021
Inventory and launch activities, including sales and marketing, for Evolve™ line of preservative free dry eye products into Canada	$ 1,150,000	$ 1,210,140
Regulatory costs, inventory and launch activities for a preservative-free glaucoma prescription product	750,000	407,590
General corporate and working capital purposes, including commercial and marketing activities for other products and supporting on-going business development	300,000	582,270
Total	$ 2,200,000[1]	$ 2,200,000

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

On February 26, 2021, the Company closed a private placement of 6,666,666 units at a price of $0.15 per unit, for proceeds of $1,000,000, to Marc Lustig, a director of the Company. The stated purpose of these funds was for general corporate and working capital purposes. As at December 31, 2021 the Company had expended all of these proceeds for general corporate and working capital purposes.

// COMMITMENTS & CONTINGENCIES

On December 1, 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 $12,267 and operating costs, including electricity and related taxes at approximately $7,570, on a monthly basis starting December 1, 2020. The base annual rent will increase to $150,880 for the year ended December 31, 2022, and $154,560 in 2023. The Company has entered into sublease arrangements of the space providing monthly average rental inflow of approximately $5,500 to offset rent expense. Lease agreements have been accounted for in accordance with IFRS 16 Leases.

// OUTSTANDING SHARE CAPITAL

As of the date of this MD&A, there were no Class A Preferred shares without par value in the capital of the Company issued and outstanding, 132,634,431 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number Outstanding as of June 30, 2022	Number Outstanding as of December 31, 2021
Common Shares issued and outstanding [2][3][4]	132,634,431	132,634,431
Class A preferred shares	Nil	Nil
Options [1]	9,269,337	9,254,337
Common share purchase warrants [2][3][5]	3,333,333	8,603,573
Brokers warrants	Nil	1,173,842
Compensation warrants	781,250	781,250
Convertible debentures[4]	Nil	2,008

Notes:

(1) Of the 9,269,337 options outstanding at the date of this report, 7,904,337 are vested and have a weighted average exercise price of $0.20 per option. The remaining 1,365,000 options are not vested and have a weighted average exercise price of $0.13 per option.
During the year ended December 31, 2021, the Company granted the following options: 195,000 options to the sales force, which have a weighted average exercise price of $0.10; 240,000 options to administrative staff with an exercise price of $0.12; and 350,000 stock options to a director with an exercise price of $0.23 per option. Subsequent to December 31, 2021, the Company granted 15,000 options to the sales staff, which have an exercise price of $0.11 per option.

(2) On March 2, 2021, the Company elected to exercise its right to trigger an accelerated expiry under the terms of a warrant indenture and issued 12,343,750 shares at $0.12 per share, pursuant to the exercise of warrants for net proceeds of $1,481,250 between March 2 and April 1, 2021. The Company also issued 317,000 shares at $0.22 per share pursuant to the exercise of warrants for net proceeds of $69,740.

(3) On February 26, 2021, the Company closed a private placement of 6,666,666 units at a price of $0.15 per unit, for proceeds of $1,000,000, to Marc Lustig, a director of the Company. Each unit shall consist of one common share and one-half of one warrant. Each warrant shall entitle the holder to purchase one common share at an exercise price of $0.25 for 24 months.

(4) During the year ended December 31, 2021, $292,000 of convertible debentures was converted into 1,390,475 common shares. The Convertible debentures matured May 2, 2022.

(5) Subsequent December 31, 2021 share purchase warrants of 5,270,240 and 1,173,842 brokers warrants expired unexercised.

// 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 31,2021 $	Year Ended December 31,2020 $
Management	620,936	612,765
Share-based payments	146,154	202,061
Total	767,090	814,825

i. 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. During the year ended December 31, 2021, NVI received $225,000 (2020 - $211,875) in Management, wages and related expense.

ii. The Company entered into a consulting service agreement with Fehr & Associates and Ann Fehr, the Chief Financial Officer ("CFO") 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, 2021, Fehr & Associates charged total management, wages and related fees of $155,936 (2020 - $111,098) for CFO and outsourced accounting services. As of December 31, 2021, the Company has included in its accounts payable and accrued liabilities $28,638 (2020 - $nil) due to Fehr & Associates.

iii. The Company entered into a consulting service agreement with Transcend Research and Consulting and Stuart Fowler, a director and strategic commercial advisor of the Company. During the year ended December 31, 2021, the Company recognized as Management, wages and related expense of $60,000 (2020 - $45,000) related to Mr. Fowler's services. As of December 31, 2021, the Company has included in its accounts payable and accrued liabilities $15,750 (December 2020 - $nil) due to Transcend Research and Consulting.

iv. Grant Larsen, the Chief Commercial Officer, was compensated at a monthly rate of $15,000. During the year ended December 31, 2021, Mr. Larsen received $180,000 (2020 - $68,664) in salaries recognized as Management, wages and related expense.

v. Anne Stevens, the former Chief Operating Officer, was compensated as an employee until she resigned in October 2020. During the year ended December 31, 2021, Ms. Stevens received $nil (2020 - $161,128) in salaries recognized as management, wages and related expense.

vi. The Company entered into a consulting service agreement with Ian Ball, the former Chief Commercial Officer of the Company. During the year ended December 31, 2021, the Company recognized Management, wages and related expenses of $nil (2020 - $15,000) related to Mr. Ball's services. Mr. Ball resigned in January 2020.

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

Key management compensation

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

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $
Management, wages and related, general administration	380,936	371,756
Management, wages and related, research and development	-	31,781
Management, wages and related, sales and marketing	240,000	209,228
Share-based payments, general administration	100,983	83,146
Share-based payments, research and development	-	6,202
Share-based payments, sales and marketing	45,171	112,712
Total	767,090	814,825

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, 2021, the Company received $8,640 and $50,252 (2020 - $630 and $48,781), respectively.

// FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The Company's financial instruments at December 31, 2021 include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, convertible debentures and CEBA Loan. The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

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

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

The fair value of cash and cash equivalents is based on Level 1 inputs, and the fair value of the liability component of convertible debt is based on Level 2 inputs. The fair value of the convertible debt and CEBA Loan at issuance were determined using Level 2 inputs. The fair value of the convertible note receivable was determined using Level 3 inputs.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and cash equivalents and amounts receivable. The Company has adopted practices to mitigate the deterioration of principal, to enhance the Company's ability to meet its liquidity needs and to optimize yields within those parameters. These investment practices limit the investing of excess funds to liquid term deposits or cashable guaranteed investment certificates with banks and government guaranteed securities with maturities of one year or less.

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 outstanding debt obligations, purchasing commitments and other obligations and its ability to raise funds to meet commitments and sustain operations. The convertible debenturesubsequently matured May 2, 2022 and the Company will need to re-finance or raise additional capital through the issuance of shares to meet this obligation. 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, 2021, the Company had working capital of $1,135,907 (December 31, 2020 - $2,384,073).

Market risk

- Interest rate risk
  Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to significant cash flow fluctuations due to interest rate changes on its convertible notes as these bear interest at a fixed rate of 9.5%. As such, fluctuations in the market interest rates during the years ended December 31, 2021 and 2020 had no significant impact on its interest income.

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

As at December 31, 2021 and 2020, the Company had the following assets and liabilities denominated in U.S. dollars:

	December 31, 2021 US$	December 31, 2020 US$
Cash and cash equivalents	1,283	1,371
Accounts payable and accrued liabilities	-	(4,261)
Total	1,283	(2,890)

The Company incurred US$76,388 and €34,862 of cash outflows during the year ended December 31, 2021 (December 31, 2020 - US$60,077 and €nil).

// SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND POLICIES

In applying the Company's accounting policies, management makes several 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 condensed consolidated interim financial statements:

- 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 International Accounting Standard ("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.

- 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.

- 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.

- Management is required to determine whether 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 the current working capital balance and future commitments of the Company.

ESTIMATION UNCERTAINTY //

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

- 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.

- 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.

- 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.

SIGNIFICANT ACCOUNTING POLICIES //

Adoption of new accounting policy - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

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

IFRS 15 Revenue from Contracts with Customers

Revenue is recognized based on a five-step model:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

The following is the Company's accounting policy for revenue under IFRS 15:

The Company earns service revenues based on a proportion of a third-party's net product sales, net of allowances for returns. The Company recognizes service revenues when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Service revenue is recognized based on actual third-party sales of products for the reporting period when collectability is certain. Service revenues recognized are estimated based on actual third-party sales for the period net of estimated costs multiplied by the contractual proportionate allocation.

In general, revenues will be recognized as the Company satisfies its performance obligations under the terms of the merchant policy. Performance obligations are considered to be satisfied when the customer obtains control of the related asset. Revenues from product sales are recognized when the risks and rewards of ownership pass to the buyer, collection is reasonably assured and the price is reasonably determinable. Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities. The Company calculates an allowance for returns based on historical information.

Impairment of assets

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

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

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

Research and development costs

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

// 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 2022 AIF 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

The Company had negative cash flows from operating activities during the prior fiscal years. To the extent that the Company has negative cash flow in any future period, the net proceeds from future financings may be used to fund such negative cash flow from operating activities.

Development Costs and Timing

Aequus may be unable to initiate or complete development of its product candidates on Aequus' currently expected timeline, or at all. The timing for the completion of the studies for Aequus' product candidates will require funding beyond the Company's existing cash and cash equivalents. In addition, if regulatory authorities require additional time or studies to assess the safety or efficacy of a product candidate, Aequus may not have or be able to obtain adequate funding to complete the necessary steps for approval for Topiramate XR, Oxcarbazepine XR or its product candidates. Additional delays may result if the FDA or other regulatory authority recommends non-approval or restrictions on approval. Studies required to demonstrate the safety and efficacy of Aequus' product candidates are time consuming, expensive and together

take several years or more to complete. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Aequus has not obtained regulatory approval for any product candidate and is possible that none of its existing product candidates or any product candidates it may seek to develop in the future will ever obtain regulatory approval. Delays in regulatory approvals or rejections of applications for regulatory approval in Canada, the United States, Europe, Japan or other markets may result from a number of factors, many of which are outside of Aequus' control.

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

Commercial Platform Development

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

Dependence on Key Personnel

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

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

Conflicts of Interest

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

Intellectual Property

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

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

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

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

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

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

Reliance on Third Party Sales Data

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

Coronavirus Pandemic

The global impact of the COVID-19 has resulted in a great deal of volatility and uncertainty in the financial markets, global economy and related supply chains. The financial markets have recovered from their lows although the negative impact from COVID-19 on the Company's financial results remains high and cannot be estimated at this time.

Indemnification Provisions

The Company may enter into commercial 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.

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, under the heading "*Risk Factors*". Some of these risks and assumptions include, without limitation, risks related to:

- Aequus having a limited history of generating revenue by promoting third party products;
- Aequus currently generating revenue from a limited number of promotional or distribution services agreements;
- Aequus being subject to potential product liability claims relating to third-party products it markets;
- Aequus having continued access to skilled contractors and consultants;
- Aequus' third-party products potentially being subject to sales quotas and additional regulatory approvals;
- third-party products not achieving market acceptability;
- third parties that Aequus is reliant upon not meeting their commitments with respect to their products;
- Aequus not having reached profitability to date 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 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 having a limited history with marketed drug products produced by third parties;
- 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 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 ("NDA") in the United States for any of its internal product candidates;
- 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 United States Food and Drug Administration ("FDA") 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 or promoted third party products cause adverse effects;
- the commercial success of Aequus' product candidates being substantially dependent on forming a third-party partnership;
- the difficulty of profitably selling Aequus' product candidates or promoted third party products if their coverage and reimbursement is limited;
- Aequus' potential international business relationships adversely affecting its business;
- Aequus' sales and marketing infrastructure potentially being unable to generate enough revenue to cover commercial expenses;
- developments relating to our competitors and our industry, including the success of competing therapies that are or become available;
- potential legislation increasing the difficulty and cost for Aequus to obtain marketing approval of and to commercialize product candidates;
- Aequus' product candidate being subject to labeling and other restrictions;
- 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;
- Aequus being subject to penalties if it fails to comply with regulatory requirements or experiencing unanticipated problems with its 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;
- adverse effects on Aequus' business if Aequus fails to obtain FDA or Health Canada 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;
- 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 or its consultants or contractors potentially infringing, or facing claims it infringed on, third party intellectual property rights, including know-how or trade secrets;
- 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 (as defined below);
- potential intellectual property disputes distracting Aequus' personnel and causing diversion of substantial resources;
- Aequus' growth and profitability being contingent on successfully maintaining and building additional third party partnerships or commercializing its internal products;
- Aequus being unable to license or acquire additional product candidates or technologies from third parties;
- Aequus' business activities potentially being adversely impacted by the recent outbreak of the novel coronavirus (COVID-19);
- 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 product candidates;
- any potential benefits of the collaboration with reVision (as defined below), Medicom (as defined below) or Sandoz (as defined below), or any further strategic alliances that Aequus enters into not being realized;
- 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;
- the timing of the BCSC's revocation of the failure-to-file cease trade order impacting trading of the Company's securities;
- future sales or issuances of Aequus' securities causing the market price of Aequus' equity securities to decline;
- risks relating to the dilution of the Company's securities;
- fluctuations in the market price for the Company's securities;
- Aequus' ability to repay the Loan, which Loan may become payable on demand at any time;
- 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;
- 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 2022 AIF, is available on SEDAR at *www.sedar.com.*