

Aequus Pharmaceuticals Inc.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017

(Unaudited – Expressed in Canadian dollars)

Aequus Pharmaceuticals Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2017 (unaudited) \$	December 31, 2016 (audited) \$
ASSETS			
Current			
Cash and cash equivalents		1,860,247	473,242
Amounts receivable		328,723	190,114
Prepaid expenses and deposit		150,602	140,197
		2,339,572	803,553
Property and equipment	5	39,378	45,958
Intangible assets	6	945,310	1,072,502
Deferred share-based payments	7	27,665	88,082
		1,012,353	1,206,542
Total assets		3,351,925	2,010,095
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	555,844	744,411
Total liabilities		555,844	744,411
SHAREHOLDERS' EQUITY			
Share capital	8	17,095,063	12,606,882
Contributed surplus		2,806,610	2,522,737
Deficit		(17,105,592)	(13,863,935)
Total shareholders' equity		2,796,081	1,265,864
Total liabilities and shareholders' equity		3,351,925	2,010,095

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Nature of operations and Going Concern [Note 1]
Commitments and Contingencies [Note 10]

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 29, 2017 and signed on its behalf by:

/s/ Douglas G. Janzen
Director

/s/ Chris Clark
Director

Aequus Pharmaceuticals Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Note	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
Revenue		291,154	300,549	770,742	534,732
Expenses					
Research and development	12[a]	415,173	371,824	1,395,116	832,665
Sales and marketing	12[b]	310,163	346,026	1,019,253	1,347,601
General administration	12[c]	532,085	703,274	1,715,041	2,030,200
		1,257,421	1,421,124	4,129,410	4,210,466
Loss before other income (loss)		(966,267)	(1,120,575)	(3,358,668)	(3,675,734)
Other income (loss)					
Interest income		1,797	1,117	1,800	3,139
Government grant		—	—	89,927	—
Income tax credit		—	31,501	—	31,501
Foreign exchange gain (loss)		13,508	(1,575)	25,284	(2,268)
		15,305	31,043	117,011	32,372
Net loss and comprehensive loss		(950,962)	(1,089,532)	(3,241,657)	(3,643,362)
Basic and diluted loss per common share		(0.01)	(0.02)	(0.05)	(0.08)
Weighted average number of common shares outstanding		71,323,925	46,541,645	66,779,523	45,207,656

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Aequus Pharmaceuticals Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars)

	Common Shares		Subscriptions Received	Contributed Surplus	Deficit	Total
	Number	\$	\$	\$	\$	\$
Balance, December 31, 2015	39,554,127	7,582,240	719,575	2,034,726	(9,051,880)	1,284,661
Issued for cash pursuant to a non-brokered private placement and a non-brokered public offering <i>[note 8[b][i]]</i>	5,297,422	2,515,177	(719,575)	-	-	1,795,602
Issued for cash pursuant to a public financing <i>[note 8[b][ii]]</i>	9,146,400	2,458,186	-	-	-	2,458,186
Share-based compensation <i>[note 8 [e]]</i>	-	-	-	387,593	-	387,593
Net loss for the period	-	-	-	-	(3,643,262)	(3,643,262)
Balance, September 30, 2016	44,851,549	12,555,603	-	2,422,319	(12,695,242)	2,282,680
Shares issued for services <i>[note 8[b][iii]]</i>	153,072	51,279	-	-	-	51,279
Share-based payments <i>[note 8 [e]]</i>	-	-	-	100,418	-	100,418
Net loss for the period	-	-	-	-	(1,168,693)	(1,168,693)
Balance, December 31, 2016	54,151,021	12,606,882	-	2,522,737	(13,863,935)	1,265,684
Issued for cash pursuant to a bought deal financing <i>[note 8[b][iv]]</i>	17,250,000	4,422,731	-	129,364	-	4,552,095
Shares cancelled pursuant to escrow agreement <i>[note 8[b][v]]</i>	(336,000)	-	-	-	-	-
Shares issued for services <i>[note 8[b][vi]]</i>	286,117	65,450	-	-	-	65,450
Share-based payments <i>[note 8 [e]]</i>	-	-	-	154,509	-	154,509
Net loss for the period	-	-	-	-	(3,241,657)	(3,241,657)
Balance, September 30, 2017	71,351,138	17,095,063	-	2,806,610	(17,105,592)	2,796,081

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Aequus Pharmaceuticals Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian dollars)

	Note	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
OPERATING ACTIVITIES			
Net loss for the period		(3,241,657)	(3,643,362)
Add items not affecting cash:			
Depreciation of property and equipment	5	13,228	2,140
Depreciation of intangible assets	6	127,192	127,192
Share-based payments	7 & 8[e]	214,926	550,081
Shares issued for services	8[e]	65,450	—
		(2,820,861)	(2,963,949)
Changes in non-cash working capital items relating to operations:			
Amounts receivable		(138,609)	(297,455)
Prepaid expenses and deposit		(10,405)	(97,591)
Accounts payable and accrued liabilities		(146,332)	(438,972)
Cash used in operating activities		(3,116,207)	(3,797,967)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	(48,883)	—
Purchase of intangible assets	6	—	(478,940)
Cash used in investing activities		(48,883)	(478,940)
FINANCING ACTIVITY			
Issuance of common shares, net of issuance costs	8[b]	4,552,095	4,305,351
Cash provided by financing activity		4,552,095	4,305,351
Increase in cash and cash equivalents		1,387,005	28,444
Cash and cash equivalents, beginning of the period		473,242	1,163,812
Cash and cash equivalents, end of the period		1,860,247	1,192,256

Supplemental disclosure with respect to cash flow (Note 15)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Aequus Pharmaceuticals Inc.
Notes to Condensed Consolidated Interim Financial Statements
For the nine months ended September 30, 2017
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Aequus Pharmaceuticals Inc. (the “**Company**”) was incorporated under the *Business Corporations Act* (British Columbia) on January 3, 2013. The Company is a specialty pharmaceutical company focused on developing and commercializing high quality and differentiated products. The Company’s registered and records office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3 and its head office is located at Suite 2820, 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4.

These condensed consolidated interim financial statements (the “**Financial Statements**”) have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The Company has incurred losses and negative operating cash flows since its inception. As of September 30, 2017, the Company has accumulated a deficit of \$17,105,592 (December 31, 2016 - \$13,863,935) and working capital of \$1,783,728 (December 31, 2016 - \$59,142). Although it is difficult to predict future liquidity requirements, management believes the Company expects to have sufficient working capital to fund its operations until the second quarter of 2018. Given its current working capital, the Company may not be able to meet its financial obligations and sustain its operations in the normal course of the business, all of which cast substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to meet its long term business strategy depends on its ability to generate operational cash flow from marketing revenue or to obtain additional equity financing.

On July 28, 2015, the Company completed its acquisition of Aequus Pharma (Canada) Ltd., formerly TeOra Health Ltd. (“**TeOra**”), a privately held Canadian specialty pharmaceutical company (the “**TeOra Acquisition**”) [note 6[a]]. The TeOra Acquisition provided the Company with sales and marketing capabilities, and an exclusive right to promote and market a branded generic ophthalmology product within Canada. On September 30, 2015, the Company further expanded this exclusive promotional right to include a transplant product called Tacrolimus IR. The Company started generating service revenue from Tacrolimus IR in the first quarter of 2016 and from ^{PR} Vistitan™ sales in the second quarter of 2016. The Company added to its later stage product pipeline in 2016 through the in-license of two branded epilepsy products: extended-release topiramate (“**Topiramate XR**”) tablets and extended-release oxcarbazepine (“**Oxcarbazepine XR**”) tablets from Supernus Pharmaceuticals Inc. (“**Supernus**”) for commercialization in Canada. These two products have been successfully marketed by Supernus in the United States since 2013.

The Company’s longer term business strategy for generating cash flow is to continue to expand its later stage product pipeline through marketing agreements or product commercialization profits and engaging in development and commercial partnerships for one or more of its development pipeline products which would generate licensing revenues for the Company from territories outside of Canada.

Aequus Pharmaceuticals Inc.
Notes to Condensed Consolidated Interim Financial Statements
For the nine months ended September 30, 2017
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

[a] Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the fiscal year ended December 31, 2016, which have been prepared with International Financial Reporting Standards (“IFRS”). These Financial Statements were approved by the Company's Board of Directors on November 29, 2017.

[b] Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

[c] Functional and foreign currency

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rate of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

[d] Significant accounting estimates and judgments

The preparation of these Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

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 Financial Statements:

- i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

Aequus Pharmaceuticals Inc.
Notes to Condensed Consolidated Interim Financial Statements
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(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments (continued)

Critical Judgments (continued)

- ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- iii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iv. Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

Estimation Uncertainty

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

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

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2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments (continued)

iv. Revenues are recognized based on a calculation of estimated profits using actual third party sales figures. Changes in estimates of revenues 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.

3. SIGNIFICANT ACCOUNTING POLICIES

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended December 31, 2016.

These Financial Statements include the accounts of the Company's wholly-owned subsidiary: Aequus Pharma (Canada) Ltd., formerly TeOra Health Ltd., incorporated under the Business Corporations Act (Ontario). All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

4. RECENT ACCOUNTING PRONOUNCEMENTS

New Standards Recently Adopted

The following is an overview of new accounting standards that the Company adopted effective January 1, 2017:

- **IAS 7 Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)** - These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The adoption of the above standards did not have a material impact on the Financial Statements.

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(Unaudited - Expressed in Canadian dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New Standards Not Yet Effective

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its Financial Statements.

- **IFRS 9 *Financial Instruments*** - This standard provides added guidance on the classification and measurement of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.
- **IFRS 15 *Revenue from Contracts with Customers*** - This standard covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- **IFRS 2 *Classification and Measurement of Share-based Payment Transactions*** – This standard was issued in June 2016. The amendments provide requirements on accounting for the effect of vesting and non-vesting conditions on the measurement of cash settled share-based payments, share-based transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transactions from cash-settled to equity-settled. This standard is effective for reporting periods beginning on or after January 1, 2018.
- **IFRS 16 *Leases*** - This standard was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

Aequus Pharmaceuticals Inc.
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(Unaudited - Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Office Furniture and Equipment \$	Computer & Website Costs \$	Leasehold Improvement \$	Total \$
Cost:				
Balance, December 31, 2015	5,514	—	4,211	9,725
Addition	—	42,235	—	42,235
Balance, December 31, 2016	5,514	42,235	4,211	51,960
Addition	5,039	1,609	—	6,648
Balance, September 30, 2017	10,553	43,844	4,211	58,608
Accumulated depreciation:				
Balance, December 31, 2015	2,208	—	982	3,190
Depreciation	1,128	—	1,684	2,812
Balance, December 31, 2016	3,336	—	2,666	6,002
Depreciation	1,272	10,693	1,263	13,228
Balance, September 30, 2017	4,608	10,693	3,929	19,230
Net book value:				
As of December 31, 2016	2,178	42,235	1,545	45,958
As of September 30, 2017	5,945	33,151	282	39,378

Aequus Pharmaceuticals Inc.
Notes to Condensed Consolidated Interim Financial Statements
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(Unaudited - Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

[a] On July 28, 2015, the Company acquired all issued and outstanding shares of TeOra for its sales and marketing capabilities, and a right to promote and market ^{PR} Vistitan™, an ophthalmology product within Canada. In exchange for these assets and services of TeOra shareholders [Note 7], the Company issued 3,360,000 common shares of the Company valued at \$1,002,120, repaid TeOra's liabilities of \$154,817 in cash and incurred transaction costs of \$82,448 for a total acquisition cost of \$1,239,385. Of the 3,360,000 common shares issued, 420,000 common shares were released to TeOra shareholders upon closing, and the remaining 2,940,000 common shares were held in escrow for release over time for services performed and upon achievement of certain milestones [Note 8[b]].

The Company accounted for this transaction as an acquisition of an asset and services, and allocated \$847,945 and \$391,440 of the acquisition costs to intangible assets and deferred share-based payments [Note 7], respectively. The acquisition cost of intangible assets is amortized over a five-year period using a straight-line method with one half of the amortization recognized in the year of acquisition.

[b] On February 12, 2016, the Company entered into a licensing agreement with Supernus Pharmaceuticals, Inc. for Canadian commercial rights to Topiramate XR and Oxcarbazepine XR, two branded products for the treatment of epilepsy (the "Supernus Agreement"). Pursuant to the terms of the Supernus Agreement, the Company paid an upfront fee of \$478,940 (US\$350,000) and is further obligated to pay additional licensing milestone fees of US\$5.15 million, a 15% royalty fee on sales and a final sales milestone payment as described in Note 10[c]. Amortization of licensing fees will be recognized following the receipt of regulatory approval from Health Canada and upon commencement of commercial activities of the underlying products.

As of September 30, 2017, the net book value of intangible assets are as follows:

	TeOra Assets \$	Supernus Licensing Fee \$	Total \$
Cost:			
Balance, December 31, 2015	847,945	—	847,945
Initial advance for license	—	478,940	478,940
Balance, December 31, 2016 & September 30, 2017	847,945	478,940	1,326,885
Accumulated amortization:			
Balance, December 31, 2015	84,794	—	84,794
Amortization of intangible assets	169,589	—	169,589
Balance, December 31, 2016	254,383	—	254,383
Amortization of intangible assets	127,192	—	127,192
Balance, September 30, 2017	381,575	—	381,575
Net book value:			
As of December 31, 2016	593,562	478,940	1,072,502
As of September 30, 2017	466,370	478,940	945,310

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7. DEFERRED SHARE-BASED PAYMENTS

On July 28, 2015, the Company acquired all of the issued and outstanding shares of TeOra for its sales and marketing capabilities, and a right to promote and market ^{PR} Vistitan™, an ophthalmology product within Canada [Note 6[a]]. Share-based payment for services of TeOra shareholders was recognized up front as a deferred asset and is expensed using the graded-vesting approach. During the nine months ended September 30, 2017, the Company recognized share-based payment expense of \$60,417 (2016 – \$162,488) related to the acquisition of TeOra. As of September 30, 2017, the net book value of the services acquired were as follows:

	Deferred share-based payments
	\$
<hr/>	
Cost:	
Balance, December 31, 2015 & 2016 and September 30, 2017	391,440
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Accumulated amortization:	
Balance, December 31, 2015	116,328
Amortization of deferred share-based payments	187,030
Balance, December 31, 2016	303,358
Amortization of deferred share-based payments	60,417
Balance, September 30, 2017	363,775
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Net book value:	
As of December 31, 2016	88,082
As of September 30, 2017	27,665

8. SHARE CAPITAL

[a] Preferred shares

The authorized share capital of the Company consists of an unlimited number of Class A preferred shares without par value. As of September 30, 2017 and December 31, 2016, there were no preferred shares issued and outstanding.

Aequus Pharmaceuticals Inc.
Notes to Condensed Consolidated Interim Financial Statements
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8. SHARE CAPITAL (CONTINUED)

[b] Common shares

	Number of Shares	Amount \$
Authorized		
Unlimited number of common shares without par value		
Issued and Outstanding		
Balance, December 31, 2015	39,554,127	7,582,240
Issued for cash pursuant to a non-brokered private placement and a non-brokered public offering [note 8[b][i]]	5,297,422	2,515,177
Issued for cash pursuant to a public financing [note 8[b][ii]]	9,146,400	2,458,186
Issue for services [note 8[b][iii]]	153,072	51,279
Balance, December 31, 2016	54,151,021	12,606,882
Issued for cash pursuant to bought-deal financing[note 8[b][iv]]	17,250,000	4,422,731
Cancelled pursuant to TeOra Escrow agreement [note 8[b][v]]	(336,000)	—
Shares issued for services [note 8[b][vi]]	286,117	65,450
Balance, September 30, 2017	71,351,138	17,095,063

	Number of Shares	Percentage of Escrowed Shares
Held in Escrow Accounts		
<i>(i) Pursuant to listing requirements of the TSX Venture Exchange</i>		
Balance, December 31, 2015	15,290,344	75.00%
Release on March 17, 2016	(3,058,069)	(15.00%)
Release on September 17, 2016	(3,058,069)	(15.00%)
Balance, December 31, 2016	9,174,206	45.00%
Release on March 17, 2017	(3,058,069)	(15.00%)
Release on September 17, 2017	(3,058,069)	(15.00%)
Balance, September 30, 2017	3,058,068	15.00%
<i>(ii) Pursuant to the terms of the TeOra Acquisition</i>		
Balance, December 31, 2015	2,940,000	87.50%
Release on closing date anniversary of the TeOra acquisition	(420,000)	(12.50%)
Release on achievement of performance milestones	(1,344,000)	(40.00%)
Balance, December 31, 2016	1,176,000	35.00%
Release and cancellation for unmet performance milestone	(336,000)	(10.00%)
Release on closing date anniversary of the TeOra acquisition	(432,600)	(12.88%)
Balance, September 30, 2017	407,400	12.12%
Balance, December 31, 2016	10,350,206	
Balance, September 30, 2017	3,465,468	

As of September 30, 2017, the Company had 3,465,468 common shares, representing 4.86% of its issued and outstanding shares, held in escrow accounts.

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8. SHARE CAPITAL (CONTINUED)

[b] Common shares (continued)

- [i] On January 12, 2016, the Company closed a non-brokered private placement in the United States of 1,797,422 common shares and a non-brokered public offering in Canada of 3,500,000 common shares at a price of \$0.50 per share for total gross proceeds of \$2,648,711. Of these proceeds, \$719,575 were collected and recorded as common share subscription received during the year ended December 31, 2015. In connection to this financing, the Company paid professional fees and other related financing costs of \$133,534.
- [ii] On September 13, 2016, the Company closed a public financing and issued 9,146,400 common shares at a price of \$0.30 per share for total gross proceeds of \$2,743,920. The public offering was co-led by Cormark Securities Inc. and Canaccord Genuity Corp. In connection to this financing, the Company paid commissions of \$192,074, legal and professional fees of \$79,940 and filing fees of \$13,720.
- [iii] On October 19, 2016, the Company issued 153,072 common shares as part of a service agreement entered into with Camargo Pharmaceutical Services, LLC for regulatory consulting services. Under the terms of the agreement, Camargo will be compensated with a split of cash and common shares of the Company for the services provided. The fair value of the shares is \$51,279, which makes up a portion of the non-refundable start-up fee.
- [iv] On March 13, 2017 the Company closed an agreement with Canaccord Genuity Corp. (“Canaccord”) to which they agreed to purchase, on a bought deal basis, 17,250,000 units at a price of \$0.30 per unit, for aggregate gross proceeds to the Company of \$5,175,000. The 17,250,000 Units issued include 2,250,000 units issued and sold pursuant to the over-allotment option granted by the Company to Canaccord. Each unit is comprised of one common share of the company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share for a period of two years at an exercise price of \$0.45 per share, subject to adjustment in certain events.

In the event the volume weighted average trading price of the Company’s common shares on the TSX Venture Exchange is greater than \$0.80 per common share for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof by way of press release and in such case the warrants will expire on the 30th day after such notice is given.

In connection to this financing, the Company paid \$362,250 in commissions, \$231,236 in legal and professional fees and \$29,419 in filing fees. In addition, the Company issued 862,500 broker warrants in connection with the offering. Each broker warrant entitles the holder to acquire a unit at an exercise price of \$0.30 per unit until March 13, 2019. The fair value of the brokers warrants as calculated using Black-Scholes as \$129,364 with the following assumptions: 67.884% volatility, 0.80% risk free rate, 2 year expected life, 0% dividend.

- [v] Pursuant to the terms of the TeOra acquisition and the terms of the escrow agreement [note 6[a]], the Company cancelled 336,000 common shares relating to an unachieved performance milestone.

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8. SHARE CAPITAL (CONTINUED)

[b] Common shares (continued)

[vi] During the period ended September 30, 2017, the Company issued 286,117 common shares, as part of a service agreement entered into with Camargo Pharmaceutical Services, LLC for regulatory consulting services. Under the terms of the agreement, Camargo will be compensated with a split of cash and common shares of the Company for the services provided. The fair value of the shares is \$65,450.

[c] Common share purchase warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2015	4,319,778	0.75
Expired	(4,319,778)	(0.75)
Balance, December 31, 2016	Nil	Nil
Issued [note 8[b][iv]]	8,625,000	0.45
Balance, September 30, 2017	8,625,000	0.45

[d] Agents' special warrants and broker's warrants

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2015	549,271	0.54
Expired	(425,521) ^[i]	(0.55)
Balance, December 31, 2016	123,750^[ii]	0.50
Issued pursuant to bought-deal financing [note 8[b][iv]]	862,500 ^[iii]	0.30
Balance, September 30, 2017	986,250	0.33

[i] Each Agents' Warrant entitles the holder to acquire one unit consisting of one common share in the capital of the Company and one-half of one common share purchase warrant at an exercise price of \$0.55 per Agents' Warrant until November 20, 2016. Each whole warrant entitles the holder to acquire an additional common share at a purchase price of \$0.75 per warrant for a period of 24 months following the date of issuance of the Agents' Warrant. These warrants expired unexercised.

[ii] Each broker warrant entitles the holder to acquire one common share in the capital of the Company at an exercise price of \$0.50 per common share until October 30, 2017. These expired unexercised subsequent to September 30, 2017.

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8. SHARE CAPITAL (CONTINUED)

[d] Agents' special warrants and broker's warrants (continued)

[iii] The Company issued 862,500 broker warrants in connection with the March 13, 2017 offering. Each broker warrant entitles the holder to acquire a unit at an exercise price of \$0.30 per unit until March 13, 2019. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant can be exercised for a price of \$0.45 per warrant until March 13, 2019.

[e] Stock options

On December 10, 2014, the Company adopted a stock option plan (the "Stock Option Plan") providing the granting of options to employees, officers, directors, consultants and scientific advisory board members. The Stock Option Plan was subsequently amended on February 4, 2015 to meet the listing requirements of the TSX Venture Exchange. On June 15, 2015, August 19, 2016 and June 12, 2017 the Company further amended its Stock Option Plan (the "Amended and Restated Stock Option Plan").

The maximum number of common shares issuable under the Amended and Restated Stock Option Plan is fixed at 12,000,000 common shares. Under the Amended and Restated Stock Option Plan, the maximum number of common shares that may be optioned in favour of any single individual will not exceed 5% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be optioned in favour of directors and senior officers under the Stock Option Plan is 10% of the issued and outstanding common shares at the date of grant. The options can be granted for a maximum term of 10 years.

During the nine months ended September 30, 2017 and 2016, the Company recorded share-based payments of \$154,509 and \$387,594, respectively. The fair values of share options granted during the nine months ended September 30, 2016 (there were no grants during nine months ended September 30, 2017) are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2017	2016
Risk-free interest rate	Nil	0.63%
Estimated annualized volatility based on comparable companies	Nil	87%
Expected life	Nil	8 years
Expected dividend yield	Nil	0%
Exercise price	Nil	\$ 0.45
Fair value	Nil	\$ 0.36
Share price	Nil	\$ 0.45

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8. SHARE CAPITAL (CONTINUED)

[e] Stock options (continued)

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2015	3,937,337	0.44
Cancelled, expired or forfeited	(662,000)	(0.55)
Granted	1,950,000	0.38
Balance, December 31, 2016	5,225,337	0.40
Cancelled, expired or forfeited	(50,000)	(0.55)
Balance, September 30, 2017	5,175,337	0.40

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
November 3, 2018	\$0.31	400,000	200,000
December 2, 2018	\$0.27	500,000	250,000
May 31, 2020	\$0.25	1,124,337	1,124,337
December 12, 2021	\$0.35	565,000	565,000
December 18, 2022	\$0.55	350,000	350,000
March 6, 2023	\$0.55	465,000	465,000
July 9, 2023	\$0.57	300,000	225,000
September 30, 2023	\$0.55	421,000	356,000
April 21, 2024	\$0.47	900,000	550,000
July 22, 2024	\$0.35	150,000	37,500
Balance, September 30, 2017	\$0.40	5,175,337	4,480,337

As of September 30, 2017, the weighted average remaining life for outstanding options was 4.24 years (December 31, 2016 - 5.09 years).

9. RELATED PARTY DISCLOSURE

[a] Transactions with related parties

Related parties include members of the board of directors (“the **Board**”) and officers of the Company, and enterprises controlled by these individuals. The following fees and expenses were incurred in the normal course of business.

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9. RELATED PARTY DISCLOSURE (CONTINUED)

[a] Transactions with related parties (continued)

	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
Sub-contract research and licensing fees ^[i]	154,426	124,989	154,426	401,900
Management fees ^[ii]	82,500	111,000	276,000	373,000
Consulting fees ^{[iii] [iv] [v]}	77,392	105,973	243,555	298,622
	314,318	341,962	673,981	1,073,522

[i] On August 1, 2013, the Company and Transdermal Pharma Research Laboratories LLC (“TRPL”), entered into a research service contract to cover formulation work in connection with the aripiprazole formulation and other pipeline programs as directed by the Company. TRPL is controlled by Dr. Fotios Plakogiannis and Dr. Rodoula Plakogiannis, two of the current directors of the Company. Pursuant to the terms of this research service contract which expired on November 30, 2016, the Company compensates TRPL for research work requested and pre-approved by the Company in exchange for the right to acquire an exclusive worldwide right to any intellectual property arising from or related to the research work. There is no fixed financial commitment under this research service contract. During the nine months ended September 30, 2017, TRPL charged no subcontract research fees (2016 – 401,900).

As of September 30, 2017, the Company included in its accounts payable and accrued liabilities \$Nil (December 31, 2016 – \$25,000) due to TRPL.

During the nine months ended September 30, 2017, the Company incurred \$154,426 (US\$119,000) (2016 - \$Nil) in subcontract research expenses from Dr. Fotios Plakogiannis and to Alpha to Omega Consultants Inc., a company controlled by Dr. Fotios Plakogiannis.

As of September 30, 2017, the Company included in its accounts payable and accrued liabilities \$69,888 (US\$56,000) (December 31, 2016 - \$Nil) due to Dr. Fotios Plakogiannis.

[ii] Effective September 1, 2014, the Company entered into a management services agreement (the “Northview Agreement”) with Northview Lifesciences (formerly Northview Ventures and Associates General Partnership) (“Northview”) and officers of the Company. Pursuant to the Northview Agreement, the officers of the Company and other employees of Northview, directed and managed the affairs and the day-to-day operations of the Company at a monthly rate of \$27,000. Effective February 1, 2016, the monthly rate was increased to \$37,000. Management fees are allocated to research and development and general administration based on management’s time involvement in the respective activities. The Northview Agreement expired on November 30, 2016. During the nine months ended September 30, 2017, Northview charged no management fees (2016 – 423,000).

As of September 30, 2017, the Company included in its accounts payable \$Nil (December 31, 2016 – \$50,115) due to Northview and included in its accounts receivable \$12,293 due from Northview.

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9. RELATED PARTY DISCLOSURE (CONTINUED)

[a] Transactions with related parties (continued)

- [iii] Effective December 1, 2016, the Company entered into a consulting agreement with Northview Ventures Inc. (“**NVI**”) and Doug Janzen. Mr. Janzen is the Chairman, President, and Chief Executive Officer of the Company. Northview Ventures Inc. will be compensated at a monthly rate of \$25,000 from December 1, 2016 to March 31, 2017 then \$15,000 per month thereafter. During the nine months ended September 30, 2017, NVI received \$165,000 in compensation (2016 - \$Nil).

As of September 30, 2017, the Company included in its accounts payable and accrued liabilities \$27,398 (December 31, 2016 – \$26,250) due to NVI and Doug Janzen.

- [iv] Effective December 1, 2016, the Company entered into a consulting agreement with Crecera Consulting Inc. (“**Crecera**”) and Anne Stevens. Ms. Stevens is the Corporate Secretary, Chief Operating Officer and a director of the Company. Crecera will be compensated at a monthly rate of \$12,000 from December 1, 2016 to March 31, 2017 then \$12,500 per month thereafter. During the nine months ended September 30, 2017, Crecera received \$111,000 (2016 - \$Nil) in compensation.

As of September 30, 2017, the Company included in its accounts payable and accrued liabilities \$13,125 (December 31, 2016 – \$12,600) due to Crecera.

- [v] On December 1, 2014, the Company entered into a consulting services agreement with KeenVision Consulting Inc. (“**KeenVision**”) and Christina Yip (the “**KeenVision Agreement**”). Ms. Yip served as the Acting Chief Financial Officer of the Company. KeenVision was compensated at a monthly rate of \$8,000. During the nine months ended September 30, 2017, KeenVision received total consulting fees of \$Nil (2016 - \$72,000). The KeenVision Agreement was terminated on July 17, 2016 in connection with Christina Yip’s resignation as the Company’s Chief Financial Officer.

- [vi] The Company entered into a consulting service agreement with Mr. Ian Ball who serves as the Chief Commercial Officer of the Company, effective July 28, 2015. Pursuant to this consulting agreement with a term to July 31, 2019, Mr. Ball is compensated at a monthly rate of \$12,000. During the nine months ended September 30, 2017, Mr. Ball charged total consulting fees of \$108,000 (2016 - \$108,000).

As of September 30, 2017, the Company has included in its accounts payable and accrued liabilities \$21,702 (December 31, 2016 - \$16,864) due to Mr. Ball.

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9. RELATED PARTY DISCLOSURE (CONTINUED)

[vii] The Company entered into a consulting service agreement with Dr. Don McAfee who serves as the Acting Chief Scientific Officer of the Company. Pursuant to the Consulting Agreement with a term expiring on December 31, 2017, Dr. McAfee was compensated at a daily rate of US\$1,000. During the nine months ended September 30, 2017, Dr. McAfee charged total consulting fees of \$61,230 (2016 - \$84,669).

As of September 30, 2017, the Company has included in its accounts payable and accrued liabilities \$10,920 (December 31, 2016 - \$6,307) due to Dr. McAfee.

[viii] The Company entered into a consulting service agreement with Ann Fehr and Fehr & Associates on July 22, 2016. Mrs. Fehr is the Chief Financial Officer of the Company. Pursuant to this consulting agreement, Mrs. Fehr is compensated at a rate of \$1,000 per month plus \$100 per hour. Fehr & Associates also provides a part time controller and book-keeping services to the Company. During the nine months ended September 30, 2017, Fehr & Associates charged total consulting fees of \$74,325 (2016 - \$33,953) for CFO and accounting services.

As of September 30, 2017, the Company has included in its accounts payable and accrued liabilities \$15,991 (December 31, 2016 - \$5,481) due to Fehr & Associates.

[b] Key management compensation

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

	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
Management fees, General & administration	61,875	83,250	207,000	279,750
Management fees, Research & development	20,625	27,750	69,000	93,250
Consulting fees, General & administration	32,675	60,553	112,125	143,753
Consulting fees, Research & development	21,317	22,020	61,230	84,669
Consulting fees, Sales & marketing	23,400	23,400	70,200	70,200
Share-based payments, General & administration	8,484	38,606	39,709	139,425
Share-based payments, Research & development	1,455	4,026	6,424	15,038
Share-based payments, Sales & marketing	9,415	3,884	45,887	15,243
	179,246	263,489	611,575	841,328

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10. COMMITMENTS AND CONTINGENCIES

[a] Operating lease

On April 9, 2015, the Company entered into a sublease agreement for its Vancouver head office premise expiring on November 30, 2018 and paid a security deposit of \$62,192. Pursuant to this agreement, the Company is obligated to pay basic rent of \$8,893 and operating costs, currently estimated at \$6,655, on a monthly basis starting June 1, 2015. The Company has entered into sublease agreements of the space providing monthly rental revenue of \$5,700 to offset rent expense. During the nine months ended September 30, 2017, the Company renewed the lease for five years ending November 30, 2023. Pursuant to this renewal, the Company is obligated to pay basic rent of \$11,635 and operating costs, currently estimated at \$7,230, on a monthly basis starting December 1, 2018. The basic rent commitment will increase to \$143,520 for the year ended December 31, 2019 and \$147,200, \$150,880, and \$154,560 in each of the following years.

[b] Development agreement

On May 23, 2014, the Company entered into a development agreement with Corium International Inc. (“**Corium**”) which requires the Company to fund research and development work. Pursuant to this development agreement, the Company has a minimum financial commitment of \$289,815 (US\$261,000) and an option to contract additional research studies at \$464,040 (US\$400,000). The Company fulfilled its minimum financial commitment of \$289,815 (US\$261,000) during the fiscal year ended December 31, 2014. During the nine months ended September 30, 2017, the Company incurred \$472,850 (US\$353,899). During the nine months ended September 30, 2016, the Company had renegotiated with Corium for work conducted in the preceding year and recovered subcontract development costs of \$67,719 (US\$50,000).

[c] Licensing agreement

Pursuant to the terms of the Supernus Agreement [Note 6[b]], and in addition to the upfront payment of \$478,940 (US\$350,000), the Company is further obligated to pay US\$5.15 million in milestone payments upon the achievement of specified regulatory milestones, a mid-teen royalty on net sales of the licensed products and a milestone payment of US\$1.5M upon the achievement of specified cumulative Net Sales from both Trokendi XR and Oxtellar XR. The Company is responsible for the regulatory submission and commercial activities for both products in Canada. The term of the Supernus Agreement will continue as long as the Topiramate XR and Oxcarbazepine XR products are sold in Canada.

[d] Collaborative Commercialization Agreement

On June 12, 2017, the Company entered into a collaborative commercialization agreement with Santen Incorporated, the Canadian Branch (“**Santen**”), a subsidiary of Santen Pharmaceuticals Co., Ltd. Under the agreement, Aequus and Santen will plan to co-commercialize an undisclosed ophthalmology therapeutic product currently under review by Health Canada for marketing approval in Canada. Furthermore, the Company and Santen will share the strategic responsibility associated with promotional activities for the product. Santen will be responsible for product manufacturing and distribution, while the Company will be mainly responsible for field activities. Net product revenues will be split between the Company and Santen over a ten-year term. The agreement also contemplates fees to the Company in the event of Santen internalizing the asset prior to the end of the term.

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10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

[e] Contingencies

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

As of September 30, 2017 and December 31, 2016, the Company had not made any indemnification payments under such agreements and no amount had been accrued in the Financial Statements with respect to these indemnification obligations.

11. OPERATING SEGMENT

The Company has a single operating segment, the sales and marketing of pharmaceutical drugs developed by the Company or by its collaborative partners. Substantially all of the Company's operations, assets, and employees are in Canada.

12. OPERATING EXPENSES

[a] Research and development expenses

	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
Consulting and management fees <i>[note 9[a]]</i>	60,108	175,496	347,938	297,145
Office and other	—	—	—	218
Patent and intellectual property protection	15,674	59,798	70,630	131,841
Salaries and wages	2,087	3,029	6,324	10,769
Share-based payments	3,297	8,512	16,305	37,836
Subcontract research and development costs <i>[note 9[a][i] and [note 10[b]]</i>	328,383	124,989	944,729	352,371
Travel and accommodation	5,624	—	9,190	2,485
	415,173	371,824	1,395,116	832,665

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12. OPERATING EXPENSES (CONTINUED)

[b] Sales and marketing expenses

	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
Advertising and promotion	385	58,708	14,725	129,849
Consulting and management fees <i>[note 9[a]]</i>	30,615	90,483	137,465	317,667
Depreciation and amortization	45,918	42,398	137,751	127,192
Printing and other expenses	9,304	97	43,938	24,119
Salaries and wages	10,442	21,049	31,624	59,721
Share-based payments	15,053	26,963	64,191	162,507
Subcontract salesforce	169,472	79,066	458,679	379,343
Travel and accommodation	28,974	27,262	130,880	147,203
	310,163	346,026	1,019,253	1,347,601

[c] General administration expenses

	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
Consulting and management fees <i>[note 9[a]]</i>	244,919	324,582	785,584	966,794
Depreciation and amortization	890	672	2,669	1,780
Legal and professional fees	86,449	117,462	242,543	248,856
Other general administration expenses	86,823	96,044	278,499	256,204
Regulatory, transfer agent and listing fees	32,082	17,625	65,441	51,897
Salaries and benefits	7,918	12,119	44,560	49,811
Share-based payments	34,659	105,976	134,430	349,738
Travel and accommodation	38,345	28,794	161,315	105,120
	532,085	703,274	1,715,041	2,030,200

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13. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue the development of its product candidates for ultimate sale or out-licensing. The Company attempts to maximize return to shareholders by minimizing shareholder dilution and, when possible, utilizing non-dilutive funding arrangements, such as collaborative partnership arrangements.

The Company defines its capital as share capital and contributed surplus. The Company has financed its capital requirements primarily through share and warrant issuances since inception.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. The Company may issue new securities. The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the nine months ended September 30, 2017.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The fair value of the Company's financial instruments is approximated by their carrying value due to their short-term nature.

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

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 – inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and cash equivalents is based on Level 1 inputs.

[a] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and cash equivalents and amounts receivable. The Company has adopted practices to mitigate against the deterioration of principal, to enhance the Company's ability to meet its liquidity needs, and to optimize yields within those parameters. These investment practices limit the investing of excess funds to liquid term deposits or cashable guaranteed investments ("GIC") invested only in Canadian Chartered Banks, and government guaranteed securities with maturities of one year or less. The Company had \$1,823,000 cashable GIC at September 30, 2017. Amounts receivable consist of goods and services tax due from the Government of Canada, service fees owed from a collaborative partner and sublease rent owed from sub-tenants.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[b] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's exposure to liquidity risk is dependent on its purchasing commitments and obligations and its ability to raise funds to meet commitments and sustain operations. The Company manages liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. As of September 30, 2017, the Company had working capital of \$1,782,985 (December 31, 2016 - \$59,142).

[c] Market risk

[i] Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. During the period ended September 30, 2017 and December 31, 2016, fluctuations in the market interest rates had no significant impact on its interest income.

[ii] Currency risk

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

As at September 30, 2017 and December 31, 2016, the Company had the following assets and liabilities denominated in U.S. dollars:

	September 30, 2017 US\$	December 31, 2016 US\$
Cash and cash equivalents	134	2,145
Accounts payable and accrued liabilities	(105,626)	(52,844)
Total	(105,492)	(50,699)

Based on the above net exposure as at September 30, 2017, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the U.S. dollar would result in a change of \$5,275 (December 31, 2016 - \$2,535) in the Company's net loss and comprehensive loss.

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15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine months Ended September 30, 2017 \$	Nine months Ended September 30, 2016 \$
<hr/>		
Cash and cash equivalents consist of:		
Cash	37,247	1,192,256
Demand Deposits	1,823,000	—
	<hr/>	<hr/>
	1,860,247	1,192,256
<hr/>		
Non-cash transactions:		
Finders' warrants issued as share issuance costs	(129,364)	—
	<hr/>	<hr/>