MANAGEMENT'S DISCUSSION AND ANALYSIS

As of May 30, 2018

For the three months ended March 31, 2018

This management discussion and analysis ("**MD&A**") of Aequus Pharmaceuticals Inc. (the "**Company**" or "**Aequus**") is for the three ended March 31, 2018, and is performed by management using information available as of May 30, 2018. 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, 2017, and the related notes thereto ("**Annual Financial Statements**"). The Company's Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect" 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 IR, [PR]Vistitan™ and Zepto® Precision Pulse Capsulotomy System, in Canada;*
- *our anticipated regulatory submissions and commercial activities in Canada in respect of Topiramate XR and Oxcarbazepine XR;*
- *the expected benefits of Tacrolimus IR, [PR]Vistitan™, Zepto® Precision Pulse Capsulotomy System, Topiramate XR, and Oxcarbazepine XR;*
- *our estimates of the size and characteristics of the potential markets for Tacrolimus IR, [PR]Vistitan™, Zepto® Precision Pulse Capsulotomy System, Topiramate XR, Oxcarbazepine XR and our internal product candidates;*
- *the initiation, timing, cost, progress and success of our research and development programs, pre-clinical studies and clinical trials;*
- *the Company's development of its cannabinoid programs (AQS1304);*
- *our expected use of proceeds from the 2017 Offering (as defined below);*
- *the initiation, timing, cost, progress and success of our research and development programs, pre-clinical studies and clinical trials;*
- *our business model and strategic plans;*
- *our ability to advance product candidates into, and successfully complete, clinical trials;*
- *our ability to recruit sufficient numbers of patients for our future clinical trials;*
- *our ability to achieve profitability;*
- *our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;*
- *whether our third-party collaborators will maintain their intellectual property rights in the technology we license;*
- *the manufacturing capacity of third-party manufacturers for our product candidates;*
- *the implementation of our business model and strategic plans;*
- *our ability to develop and commercialize product candidates;*
- *our commercialization, marketing and manufacturing capabilities and strategy;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *our expectations regarding federal, provincial and foreign regulatory requirements;*
- *whether we will receive, and the timing and costs of obtaining, regulatory approvals in the United States, Canada, the European Union and other jurisdictions for our product candidates;*
- *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;*
- *the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;*
- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;*
- *our ability to engage and retain the employees or consultants required to grow our business;*

- *the compensation that is expected to be paid to employees and consultants of the Company;*
- *our future financial performance and projected expenditures;*
- *developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and*
- *estimates of our expenses, future revenue, and capital requirements.*

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

*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 Risks" and under the heading "Risk Factors" in the Company's 2017 Annual Information Form ("**2017 AIF**") filed on SEDAR (www.sedar.com). 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.*

OVERVIEW

Aequus is a revenue-generating specialty pharmaceutical company, with a foundation built on improving drug delivery of existing medications and commercializing value-add products in specialty therapeutic areas in the Canadian market. Aequus has a diversified portfolio of internally developed clinical and preclinical stage reformulated products, as well as a number of commercial stage, third party products that fulfill an identified unmet medical need.

Our commercial infrastructure is Canadian-based, with specialty sales representatives currently promoting two specialty medicines and one recently announced ophthalmology focused medical device to physicians. We leverage the unique demographics in Canada, such as a highly-concentrated population, to have an efficient sales force that we have been growing through promotional partnership agreements, asset acquisitions, in-licenses and in the future with our own internal development programs as they mature and enter the market.

Our development pipeline is focused on advancing products in specialty therapeutic areas with a goal of addressing the need for improved medication adherence or better product performance through enhanced delivery systems. Aequus intends to commercialize its internal programs in Canada alongside its current portfolio of marketed established medicines and will look to form strategic commercial relationships for these programs in other markets that would maximize the reach of its product candidates worldwide. Our most recent addition to the development pipeline was a long-acting form of medical cannabis, where there is a high need for a consistent, predictable and pharmaceutical-grade delivery of products for customers.

Both our development and commercial programs are supported and validated by insights from patients and physicians 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, fully integrated specialty pharmaceutical company with commercial activities in Canada and development stage products. Aequus looks to leverage its core capabilities, commercial infrastructure and

existing product portfolio to continue on the Company's current growth trajectory. The Company's near-term growth strategy includes the following key components:

- Progressive build-out of the Company's commercial platform, including leveraging its specialty sales force in Canada to enable Aequus to continue to in-license and sell high value branded products in Canada.
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- Advance development programs through proof of concept clinical studies and regulatory meetings with the United States Food and Drug Association ("**FDA**"), with the objective of the programs being to add sufficient value to execute at least one regional license in the near term;

Over the past 16 months, Aequus has in-licensed two products, launched promotional activities for two third party products in the Canadian market, entered into two additional commercial collaborations for the promotion of an ophthalmology therapeutic and medical device, respectively, in Canada, and supported the advancement of its internal programs. These activities support the key areas of Aequus' growth strategy.

Q1 2018 HIGHLIGHTS

- The Company received positive feedback from the US Food and Drug Administration ("FDA") on its pre-Investigational New Drug ("pre-IND") submission for the Company's long-acting anti-nausea transdermal patch, AQS1303. Through the pre-IND feedback, the FDA confirmed that the planned Section 505(b)(2) abbreviated regulatory pathway, which allows for the Company to reference safety and efficacy data of the original oral tablet Diclegis®, is appropriate for submission in a New Drug Application ("NDA") for the program in the United States.

- Aequus expanded its market in Quebec for Tacrolimus IR when it was awarded a three-year contract with Sigma Santé for its partnered product, tacrolimus in March 2018.

- The Company entered into a collaboration with Ehave, Inc. ("Ehave") to access Ehave's bioinformatics platform to enhance and streamline data management processes for Aequus-sponsored clinical trials studying specific cannabinoid-rich formulations for treating a number of neurological disorders.

- CannaRoyalty and Aequus have formed a collaboration to clinically advance a number of cannabis-based therapies in partnership with Canadian clinicians to create truly differentiated products supported by clinical data focused on the medical community. The collaboration will leverage CannaRoyalty's deep expertise in identifying, funding and commercializing cannabis related products in California and Aequus' expertise in clinical development and drug delivery, and commercializing differentiated therapeutics in Canada.

HIGHLIGHTS SUBSEQUENT TO MARCH 31, 2018

- The Company entered into a commercial agreement with Mynosys Cellular Devices, an ophthalmology focused medical device company based in Fremont, California, ("Mynosys") for the Canadian distribution, sales and marketing of the Zepto® Precision Pulse Capsulotomy System ("Zepto") for cataract surgery. Zepto was approved for sale in Canada by the Therapeutic Products Directorate in February 2018, and through this agreement is expected to be launched in Canada by Aequus in June 2018. Zepto will be marketed by Aequus' current ophthalmology salesforce and is an attractive complement to its existing product offering.

KEY STRATEGIC COLLABORATIONS

SANDOZ CANADA, INC.

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

In April 2016, Aequus launched promotional efforts in Canada for [PR]Vistitan™, a treatment for the reduction of elevated intraocular pressure in patients with open angle glaucoma or ocular hypertension. Aequus obtained multiple provincial formulary listings within the first six months of Vistitan's launch, including a Limited-Use drug designation on the Ontario Drug Benefit Plan.

SUPERNUS PHARMACEUTICALS, INC.

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

Under the terms of the Supernus Agreement, Aequus will be responsible for the regulatory submission and commercial activities for both products in Canada. Supernus is eligible to receive milestone payments and royalties from product sales in Canada. Aequus has since had on-going dialogue with Health Canada around the acceptability of the FDA clinical package and foreign market experience, and expects to conduct a small clinical study to support an NDS in 2018.

Topiramate XR
(under the tradename of Trokendi XR® in the United States)

Topiramate XR is a once-daily topiramate product designed to improve patient compliance and to show a better pharmacokinetic profile than the currently available immediate release products, which must be taken multiple times per day. The currently approved immediate release form of topiramate in Canada is approved for use in epilepsy and prophylactic migraine. Topiramate XR's pharmacokinetic profile results in lower peak plasma concentrations, higher trough plasma concentrations, and slower input rate. This results in smoother and more consistent blood levels of topiramate than immediate release topiramate formulations can deliver. Such a profile may mitigate blood level fluctuations that are frequently associated with many of the symptomatic side effects or breakthrough seizures that patients can suffer when taking immediate release products. Side effects can lead patients to skipping doses, whereupon the increased non-adherence could place them at higher risk for breakthrough seizures.

Oxcarbazepine XR
(under the tradename of Oxtellar XR® in the United States)

Oxcarbazepine XR is a once-daily oxcarbazepine product with a novel pharmacokinetic profile showing lower peak plasma concentrations, a slower rate of input, higher trough plasma concentrations, and smoother and more consistent blood levels compared to immediate release products. The currently approved immediate release form of oxcarbazepine in Canada is approved for use in partial seizures in epilepsy. Oxcarbazepine XR has the potential to improve the tolerability of oxcarbazepine and thereby reduce side effects. This could enable more patients to tolerate higher doses of oxcarbazepine which would permit them to benefit from the resulting improved efficacy and greater seizure control, which has previously been reported in patients taking higher doses. Patients taking higher doses of immediate release oxcarbazepine are often unable to tolerate the increased side effects. In addition, Oxcarbazepine XR once-daily dosing regimen is designed to improve patient compliance compared to the currently available immediate release products that must be taken multiple times per day.

The expected benefits of once-daily extended release forms of anti-epileptic drugs such as Topiramate XR and Oxcarbazepine XR include: (i) improved patient adherence with a once-daily dosing regimen, making it more probable that patients maintain sufficient level of medication in their bloodstream to protect against seizures; (ii) delivery of lower peak plasma concentrations and lower input rate over an extended time period, resulting in smooth and consistent blood levels of topiramate or oxcarbazepine during the day; and (iii) avoidance of blood level fluctuations that can be associated with symptomatic side effects or breakthrough seizures.

MYNOSYS CELLULAR DEVICES

In April 2018, Aequus entered into a commercial agreement with Mynosys Cellular Devices ("**Mynosys**"), an ophthalmology focused medical device company based in Fremont, California, for the Canadian distribution, sales and marketing of the Zepto® Precision Pulse Capsulotomy System ("**Zepto**") for cataract surgery. Zepto was approved for sale in Canada by the Therapeutic Products Directorate in February 2018, and through this agreement is expected to be launched in Canada by Aequus in the second quarter of 2018. Zepto will be marketed by Aequus' current ophthalmology salesforce, and Aequus believes it is an attractive complement to its existing product offering.

This agreement to bring Zepto into the Canadian market has an initial term of three years, with an automatic and continuous renewal of additional three year terms, provided Aequus meets minimum sales targets. Aequus will retain profits on the products sold in Canada.

COMMERCIAL PRODUCTS

Product	Therapeutic Area	Indication	Stage	Program Status
			Preclinical · Clinical · Approval · Marketed	
Tacrolimus IR[1] (immediate-release oral tablet)	Transplant	Organ Rejection	Completed	Currently Marketed by Aequus in Canada
PrVistitan™ (bimatoprost 0.03%)[1]	Ophthalmology	Glaucoma	Completed	Currently Marketed by Aequus in Canada
Zepto® Capsulotomy (Precision Pulse System)	Ophthalmology	Cataract Surgery	Completed	Pre-Launch
Topiramate XR* (extended-release oral)	Neurology	Epilepsy	Completed / Progress expected for 2018	Pre-Registration in Canada
Oxcarbazepine XR* (extended-release oral tablet)	Neurology	Epilepsy	Completed / Progress expected for 2018	Pre-Registration in Canada

Completed · Progress expected for 2018

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

Figure 1. Aequus' Canadian commercial pipeline

PRVISTITAN™ (bimatoprost 0.03%, ophthalmic solution)

Aequus' ophthalmology focused salesforce markets a branded ophthalmology product, PRVistitan™ (bimatoprost 0.03%, ophthalmic solution). Commercial activities for this product commenced in May 2016. Similar to Tacrolimus IR, 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. The Canadian glaucoma market in 2015 was estimated to be over $182 million, of which prostaglandins remain one of the primary treatment options for lowering IOP in glaucoma. There were an estimated 350,000 people living with glaucoma in Canada in 2015. The disease is the second leading cause of blindness worldwide, but is asymptomatic, which means that more than half of people are unaware they have it. The incidence of glaucoma is highest in patients above the age of 80, but onset may be as early as 40 years of age. IOP-lowering drugs are prescribed as soon as the disease is diagnosed and must be taken chronically to prevent vision loss. Prostaglandins are the first-line approach among IOP-lowering agents, in 2015 bimatoprost accounted for 42% of all prostaglandin prescription volume in Canada (IMS Health).

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.

ZEPTO® PRECISION PULSE CAPSULOTOMY SYSTEM

The most recently announced commercial product, Zepto®, is expected to be officially launched on June 1, 2018. Zepto provides consistent, high quality anterior lens capsulotomies during cataract surgery in a convenient, cost-effective, disposable format. One of the key features is a collapsible super-elastic nitinol capsulotomy ring element with micron scale elements to create the unique and strong Zepto capsulotomy edge. It also has a clear silicone suction cup to enable suction and generate Zepto's proprietary capsulotomy action and to allow Zepto capsulotomies on the patient's individual visual axis. The AMA has recently given a category III code in the U.S., as they see the distinctive application and benefit of aligning on the patient's own visual axis.

Zepto integrates seamlessly into the routine steps of cataract surgery with phacoemulsification. The surgeon does not need to alter his or her normal routine. Instead of capsulorrhexis forceps or a cystitome, the surgeon simply reaches for Zepto. Zepto has been used in thousands of cataract surgeries in Asia, Europe, and Central America since February 2017, and most recently in the US since August 2017.

There are currently over approximately 300,000 cataract cases per year in Canada. Aequus intends to initially target the premium intraocular lens market and the more challenging cases, which are estimated to represent over 20% of cataract cases performed each year.

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.

Tacrolimus immediate release is an immunosuppressant used for the treatment and prevention of acute rejection following organ transplantation. Tacrolimus is part of a patient's immunosuppressive therapy prescribed chronically in their lifelong management to prevent graft rejection. Tacrolimus is recommended as a first line calcineurin inhibitor treatment by the BC Transplant consensus guidelines and is prescribed in >90% of new kidney transplant patients (OPTN/SRTR 2014). Due to the chronic risk of graft rejection, Tacrolimus has been classified as a Critical Dose Drug with a Narrow Therapeutic Index. In Canada, Tacrolimus is available in an immediate release form, marketed under the brand name of Prograf® in Canada, and in an extended-release form, marketed under the brand name of Advagraf® in Canada. Aequus is promoting the first to market and only currently available generic version of Prograf®.

Aequus has been successful in growing market share for Tacrolimus IR in Canada since the initiation of its promotional efforts, and in March 2018, was awarded a three-year contract with Sigma Sante, one of the largest healthcare group purchasing organizations ("**GPO**") in Quebec and the final GPO in the province to list this first-to-market, generic version of Tacrolimus IR.

PRODUCT DEVELOPMENT PIPELINE

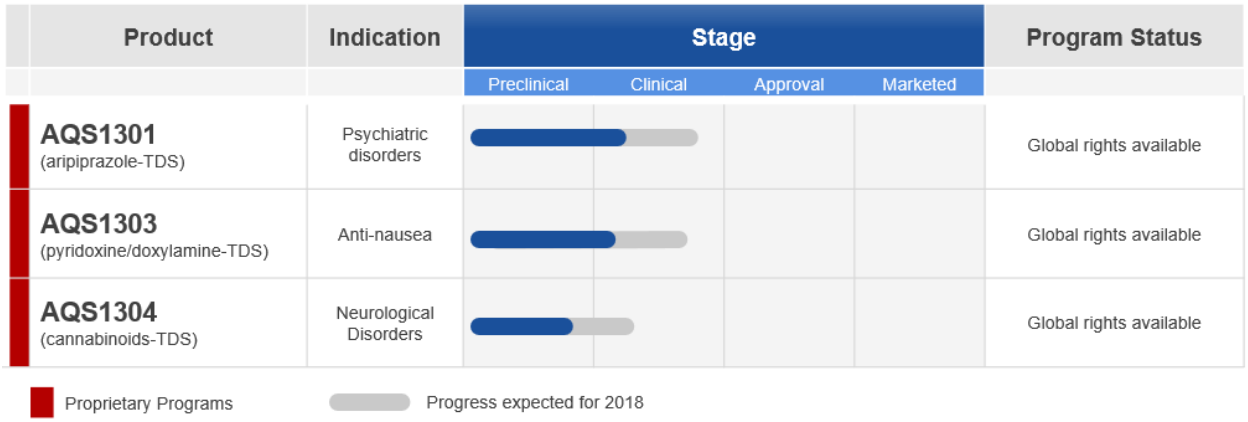

Figure 2. Aequus' Development Pipeline

AQS1303 – Long-acting transdermal pyridoxine / doxylamine

Key Highlights

- The combination of pyridoxine / doxylamine currently approved is first-line therapy and the only on-label intervention for nausea and vomiting of pregnancy ("**NVP**") dosed several times per day;
- Aequus' transdermal alternative provides a non-oral and long-acting alternative to the oral form;
- Initial Proof of Concept clinical study successfully completed in healthy volunteers;
- FDA pre-IND completed in early 2018 with positive feedback confirming approval via the 505(b)(2) accelerated approval pathway in the United States.

Product Overview

Pyridoxine/doxylamine is currently marketed as Diclegis® (United States)/Diclecitin® (Canada) for the treatment of NVP, as an oral tablet dosed up to four times per day. Diclegis is the only FDA approved medication for morning sickness in pregnant women and in 2017 reached sales in the United States of approximately US$186 million. A long-acting transdermal form of pyridoxine/doxylamine is being developed by Aequus to address the risk of missed doses due to emesis (vomiting) and to provide consistent symptomatic relief.

Aequus has demonstrated the current formulation can deliver the flux profile *in-vitro* required for once-daily and up to seven days of therapeutic doses. Aequus completed a Proof of Concept clinical study in September 2017 with results suggesting that sustained delivery of therapeutics levels of the active ingredients through the skin over a multi-day period is possible with the current formulation. The formulation was well tolerated with no serious adverse events reported.

Aequus received positive pre-IND feedback from the FDA, confirming it will likely follow a 505(b)(2) pathway in the United States for AQS1303 approval, which would include a pharmacokinetic bridging strategy, to allow bridging to the safety and clinical pharmacology information from Diclegis®, and a single clinical efficacy study, would likely be acceptable for an NDA submission. The FDA also outlined additional standard studies required of a transdermal patch to evaluate the local safety and to ensure that consistent and predictable dosing is achieved over the dosing period.

Aequus has filed an international patent application with the USPTO that covers transdermal extended-release formulations of the combination of doxylamine and pyridoxine. During Fiscal 2017, the Company advanced the patent application for AQS1303 with PCT national stage filings in the European Region, Canada and Israel, in addition to the U.S.; Aequus owns the worldwide rights to the formulations described in the patent application.

AQS1304 - Medical cannabis program

Aequus has initiated a research program of cannabinoid-based therapeutics targeting neurological disorders. In 2016, Health Canada provided patients in Canada the ability to access cannabis for medical purposes when recommended by their physician. There are insufficient data, however, for proper therapeutic treatment protocols regarding the proper dosage and frequency for patients dealing with a wide variety of symptoms and disease areas. Aequus recently published a survey that confirms the medical need for improved clinical trial data supporting safety and efficacy of medical cannabis, reliability of dose delivery systems, high quality data collection tracking real world clinical outcomes, physician education, and quality controlled ingredients.

Aequus has formed the following collaborations and steps forward in connection with this program:

- In March 2017, Aequus acquired an exclusive world-wide license to a transdermal patch formulation containing cannabinoids for use in the treatment of epilepsy, Multiple Sclerosis and certain other neurological disorders from TRPL;
- In May 2017, Aequus completed a needs assessment study with over four hundred physicians to validate and select a medical cannabis target product profile that is best suited for the needs of patients;
- In June 2017, Aequus and CDRD entered into a broad research collaboration to establish pre-clinical safety and efficacy of select cannabinoid-based therapeutics targeting certain neurological movement disorders;
- In August 2017, Aequus formed a collaboration with Scientus to be the development and commercial supplier of specific cannabinoid extracts, with an option for Scientus to co-fund the development of a cannabinoid

containing transdermal formulation that would be designed and optimized to address certain neurological disorders;
- In August 2017, Aequus entered into a collaboration with Ehave to access Ehave's bioinformatics platform, providing cost effective and clinically relevant data collection in Aequus' anticipated clinical trials in the medical cannabis regulatory regime.
- In January 2018, Aequus announced a collaboration with CannaRoyalty Corp. ("**CannaRoyalty**") to advance a suite of cannabis-based therapies targeting neurological disorders into clinical trials in Canada, in collaboration with Canadian doctors and key opinion leaders.

AQS1301 – Once-weekly transdermal aripiprazole

Key Highlights

- AQS1301 is a once-weekly transdermal formulation of aripiprazole;
- Among the currently approved indications for aripiprazole, extensive primary research done by Aequus has validated the most suitable patient candidates for a transdermal patch to include major depressive disorder in elderly patients in a homecare setting, autistic patients suffering from irritability, as well as newly diagnosed and mild patients with Bipolar I Disorder;
- Two Proof of Concept clinical studies have been successfully completed in healthy volunteers;
- FDA pre-IND meeting feedback confirmed regulatory path forward via the Section 505(b)(2) accelerated approval pathway in the United States.

Product Overview

AQS1301 is designed to consistently deliver aripiprazole over a seven-day period at levels comparable to currently marketed once-daily formulations. By delivering aripiprazole over seven days in a comfortable, convenient and easy-to-use weekly patch, AQS1301 is intended to promote enhanced patient compliance.

Aequus has advanced the once-weekly, transdermal aripiprazole patch with its development and manufacturing partner, Corium. Aequus successfully completed an initial Proof of Concept clinical study for AQS1301 in December 2015, demonstrating that sustained, seven-day delivery of therapeutic doses may be possible with the current formulation. A follow-on Proof of Concept clinical study in healthy volunteers was completed in February 2017, demonstrating that steady state plasma concentrations were achieved by week three with relative concentrations of aripiprazole and its active metabolite, dehydroaripiprazole, comparable to oral dosing of Abilify®.

Following a pre-IND meeting with the FDA in August 2017, the FDA agreed that AQS1301 is a suitable candidate for the 505(b)(2) regulatory pathway for approval in the United States. A Section 505(b)(2) NDA allows for regulatory approval in the United States, where the development of a new dosage form for an already approved drug, such as a change from a solid oral dosage form to a transdermal patch, can rely to some extent on previous safety and/or efficacy data provided by the literature or can reference past findings of safety and effectiveness for the approved drug.

Aequus has expanded its patent portfolio for AQS1301 to include China, the United States, Russia, Mexico, Japan, Canada and Australia, and is pending in multiple additional territories.

Out-Licensing Activities

Aequus continues to pursue development collaborators and marketing partners for its internal programs in markets outside of Canada, particularly for AQS1301 and AQS1303.

OVERALL PERFORMANCE

The Company started to generate revenue from its commercial platform during the year ended December 31, 2016. Aequus expects its operating losses to continue as it continues to build its commercial platform and invests in its development pipeline, including the product advancement of AQS1303 and its recently announced potential program in medical cannabis.

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

DISCUSSION OF OPERATIONS

Aequus recorded a net loss of $816,485 in the three months ended March 31, 2018 ("**Q1 2018**") and $1,013,433 in the three months ended March 31, 2017 ("**Q1 2017**"). The $196,948 or 19% decrease in net loss was primarily due to a 28% increase in sales in Q1 2018 compared to Q1 2017 and a decrease in research and development activity in the respective quarters. Research and development spending in 2017 was higher than 2018 due to increased regulatory consulting for its internal development programs, and the execution of a Proof of Concept clinical study for AQS1303.

The following table provides an overview of the financial results in Q1 2018 as compared to those in Q1 2017:

	Three Months Ended March 31,		
	2018	**2017**	**Change**
Revenue	$ 375,000	$ 293,002	$ 81,998
Operating expenditures:			
Research and development	192,968	398,273	(205,305)
Sales and marketing	338,447	349,145	(10,698)
General administrations	659,370	559,639	99,731
	1,190,785	1,307,057	(116,272)
Loss before other income	(815,785)	(1,014,055)	198,270
Other income (loss)	(700)	622	(1,322)
Net loss	**$(816,485)**	**$(1,013,785)**	**$ 196,948**

Revenues

The Company receives revenues by providing promotional services to sell its third party owned products, Tacrolimus IR and [PR]Vistitan™, that were launched in December 2015 and April 2016, respectively. [PR]Vistitan™ revenues are expected to continue to increase in the current fiscal year as it continues to penetrate market share held by the branded equivalent and similar medications within the class. Tacrolimus IR sales may be more volatile in 2018 due to competitive dynamics. This volatility is expected to be offset by new revenues from Zepto®, which is expected to be launched on June 1, 2018.

Revenue during the three months ended March 31, 2018 was $375,000 (2017 - $293,002) an increase of 28% in quarter over quarter revenues for the same period in 2017. The $81,998 increase in revenues is primarily attributable to increased promotional activities for both products focused in markets with positive market access and reimbursement listings.

Due to the early stage nature of the Company, management assesses the impact of inflation and specific price changes to the company's total revenue to not be measurable at this time.

Research and Development Expenses

The Company incurred research and development ("**R&D**") expenses of $192,968 in Q1 2018 as compared to $398,273 in Q1 2017. The decrease was primarily attributable to subcontractor costs, specifically reduced regulatory consulting for AQS1301 and AQS1303 Pre-IND related work and no clinical work projected during Q1 2018 whereas Q1 2017 included work related to the completion of the initial single dose exposure Proof of Concept study for AQS1301, preclinical studies for AQS1302 and AQS1303, and the initiation of clinical trial material development for AQS1303.

There were $33,536 less patent related fees in Q1 2018 relative to Q1 2017. During Q1 2017 Aequus expanded the patent portfolio for AQS1301 in China, to bring the total number of patents issued/allowed to seven major countries or regions to date, namely the United States, Russia, Mexico, Japan, Australia and Canada, with several other major markets pending.

The following table summarizes the Company's research and development expenditures in Q1 2018 as compared Q1 2017:

	Q1 2018	Q1 2017	Change
Consulting and management	$ 122,450	$ 108,362	$ 14,088
Patent and intellectual property protection	-	33,536	(33,536)
Salaries and wages	26,965	2,118	24,847
Share-based payments	23,795	7,151	16,644
Subcontractor costs	12,170	245,991	(233,821)
Travel and accommodation	7,588	1,115	6,473
	$ 192,968	$ 398,273	$ (205,305)

Sales and Marketing Expenses

Aequus incurred sales and marketing expenses of $338,447 in Q1 2018 compared to $349,145 in Q1 2017, a decrease of $10,698 or 3%.

The changes in sales and marketing expenditures in Q1 2018 compared to Q1 2017 were primarily impacted by the following items:

- Consulting and management fees decreased by $23,925 in Q1 2018 compared to Q1 2017. This was due to residual costs in Q1 2017 associated with the launch activities for [PR]Vistitan™ and Tacrolimus IR, resulting in lower consulting costs in Q1 2018.
- Share-based payments decreased by $14,386 from Q1 2018 to Q1 2017 as there were fewer vested stock options in Q1 2018.
- Subcontract costs for salesforce covering promotional and marketing activities for Tacrolimus IR and [PR]Vistitan™ was $180,930 and $150,810 for Q1 2018 and Q1 2017, respectively. The increase in Q1 2018 was due to increasing sales coverage in markets with positive reimbursement listings.
- Travel and accommodation increased by $6,556 or 13% to $56,725 in Q1 2018 compared to $50,169 in Q1 2017. The Company increased certain sales call and promotion related travel associated with Tacrolimus IR and [PR]Vistitan™ in Q1 2018.

The following table summarizes the Company's sales and marketing expenditures in Q1 2018 as compared to Q1 2017:

	Q1 2018	Q1 2017	Change
Advertising, printing and promotion	$ 6,546	$ 15,637	$ (9,091)
Consulting and management	27,000	50,925	(23,925)
Depreciation and amortization	45,917	45,917	-
Salaries and wages	10,618	10,590	28
Subcontract salesforce	180,930	150,810	30,120
Share-based payments	10,711	25,097	(14,386)
Travel and accommodation	56,725	50,169	6,556
	$ 338,447	$ 349,145	$ (10,698)

General Administration Expenses

General administration expenses were $659,370 during Q1 2018 as compared to $559,639 in Q1 2017, an increase of $99,731 or 18%. The increase was primarily due to an increase in consulting related expenses of $175,093 during Q1 2018. The changes in general administration expenditures were primarily impacted by the following items:

- Consulting and management fees increased by $175,093 or 69% because of additional project costs related to the marketing and branding work at the corporate level.
- Legal and professional fees decreased by $41,500 or 60% in Q1 2018 compared to Q1 2017 primarily due to variations in business development activities.
- Share-based payments decreased by $25,155 comparing Q1 2017 and Q1 2018. This was due to options granted and vesting in the preceding period where no options were granted and fewer options were vested in Q1 2018.

The following table summarizes the Company's general administration expenditures in Q1 2018 compared Q1 2017:

	Q1 2018	Q1 2017	Change
Consulting and management	$ 430,270	$ 255,177	$ 175,093
Legal and professional	27,594	69,094	(41,500)
Other general administration	68,600	89,065	(20,465)
Regulatory and listing	20,741	14,601	6,140
Salaries and benefits	39,674	28,169	11,505
Share-based payments	36,487	61,642	(25,155)
Travel and accommodation	36,004	41,891	(5,887)
	$ 659,370	$ 559,639	$ 99,731

Operating lease commitment

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 year ended December 31, 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 in and operating costs, currently estimated at $7,230, on a monthly basis starting December 1, 2018.

The basic rent commitment per year is as follows:

2019 – $140,147
2020 – $143,827
2021 – $147, 507
2022 – $151,187
2023 – $141,680

QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected unaudited consolidated financial data for each of the last eight fiscal quarters, prepared in accordance with IFRS:

	Quarter Ended			
	March 31, 2018	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**
	("Q1 2018")	**("Q4 2017")**	**("Q3 2017")**	**("Q2 2017")**
Revenue	$ 375,000	$ 368,682	$ 291,154	$ 186,586
Research and development expenditures	192,968	19,590	415,173	581,670
Sales and marketing expenditures	338,447	363,870	310,163	359,945
General administration expenditures	659,370	629,012	532,085	623,317
Other income (loss)	(700)	3,020	15,305	101,084
Net loss for the period	(816,485)	(640,770)	(950,962)	(1,277,262)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.02)

	Quarter Ended			
	March 31, 2017	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**
	("Q1 2017")	**("Q4 2016")**	**("Q3 2016")**	**("Q2 2016")**
Revenue	$ 293,002	$ 166,901	$ 300,549	$ 118,100
Research and development expenditures	398,273	295,115	371,824	291,748
Sales and marketing expenditures	349,145	419,763	346,026	557,712
General administration expenditures	559,639	639,872	703,274	656,486
Other income (loss)	622	19,156	31,043	(1,319)
Net loss for the period	(1,013,433)	(1,168,693)	(1,089,532)	(1,389,165)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.02)	(0.03)

Variations in the Company's net losses and expenses for the periods above resulted primarily from the following factors:

- Revenue was first recorded in Q1 2016. The Company generated revenue from the promotional and marketing profit share arrangement on sales of Tacrolimus IR, which launched in December 2015, and its second commercial product, ^{PR}Vistitan^{TM}, which launched in April 2016. Sales for these two products have generally increased over the last eight quarters. The Company expects this upward trend to continue for ^{PR}Vistitan^{TM} in the current fiscal year as it continues to penetrate market share held by the branded equivalent and similar medications within the class. Tacrolimus IR sales may be more volatile in 2018 due to competitive dynamics. This volatility is expected to be offset by new revenues from Zepto®, which is expected to be launched in Q2 2018.

- Research and development expenditures trended upwards until Q3 2017 as Aequus completed formulation development and advanced AQS1303 through Proof of Concept clinical studies. These expenditures fluctuated more significantly in certain quarters due to the costs associated with Proof of Concept clinical studies of AQS1301, which included the follow-on study which started in Q4 2016 and completed in Q1 2017. Furthermore, the development of clinical trial materials and the execution of the Proof of Concept clinical study for AQS1303 in Q2 and Q3 2017, the preparations for the AQS1301 Pre-IND meeting in Q1 and Q2 2017 as well as market research carried out in Q2 2017. In Q4 2017 and Q1 2018, the Company prepared for the Pre-IND meeting for AQS1303 and was active in establishing collaborative partnerships in anticipation of advancing its medical cannabis programs.

- Sales and marketing expenses were trending down from Q2 2016 to Q1 2017 as the Company completed the marketing launch of Tacrolimus IR and ^{PR}Vistitan^{TM} in Canada. Spending stabilized following the initial launch

period but are expected to increase in the next 9 months as Zepto is launched into the Canadian marketplace starting in Q2 2018.

- General administration expenses fluctuated based on corporate finance and business development activities. In addition to new strategic relationships starting in Q2 2017 related to the Cannabis programs, the company signed a Canadian commercial agreement with Mynosys to distribute and commercialize Zepto.

- Other income included a $89,000 one-time government grant which was awarded in Q2 2017.

Liquidity and Capital Resources

	Q1 2018	Q1 2017
	$	$
Cash used in operating activities	(606,949)	(1,063,798)
Cash used in investing activities	-	(48,883)
Cash provided by financing activities	284,730	4,698,806
Net (decrease) increase in cash and cash equivalents	(322,219)	3,586,125
Cash and cash equivalents balance at end of period	842,299	4,059,367

Cash used in operating activities is comprised of net loss, add-back of non-cash expenses, and net change in non-cash working capital items. Cash used in operating activities decreased to $606,949 in Q1 2018 from $1,063,798 in Q1 2017. This decrease of $456,849 is primarily due to net loss decreasing by $196,948 and a $212,589 timing difference related to non-cash working capital changes related to accounts payable between the periods.

Cash used in investing activities during Q1 2017 was related to the purchase of a telephone system whereas there were no investing activities during Q1 2018.

Cash provided by financing activities decreased by $4,414,076 in Q1 2018 as compared to the amount reported in Q1 2017. On January 31, 2018 the Company closed a financing of $300,000. On March 13, 2017, the Company closed a public offering of units (the "**Units**") at a price of $0.30 per Unit, for aggregate gross proceeds to the Company of $5,175,000, pursuant to the terms of an underwriting agreement dated March 6, 2017 between the Company and Canaccord Genuity Corp.

As of March 31, 2018, the Company had working capital of $952,728 compared to working capital of $1,348,147 as of December 31, 2017. The Company anticipates receiving cash proceeds from the exercise of options, warrants, public offerings and private placements, however, the Company cannot predict the timing or amount of additional options and warrants that may be redeemed, if any.

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital to finance product development. The Company may pursue debt financing in the medium term, if it is able to procure such debt on terms more favourable than the available equity financing, however, there can be no assurance the Company will be able to obtain any required financing in the future on acceptable terms.

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

Use of Proceeds from Financing

On March 13, 2017, the Company closed an agreement with 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 include 2,250,000 Units issued and sold pursuant to the over-allotment option granted by the Company to Canaccord. A comparison of the use of proceeds disclosed in the prospectus to management's current estimate of the use of proceed is as follows:

	Proposed Use of Proceeds	Estimated Unaudited Actual Use of Proceeds to May 30 2018
Development program spending for AQS1302, AQS1303 and cannabinoid related program	$2,150,000	$772,500
Regulatory and intellectual property consulting for the Company's internal programs	350,000	363,400
Sales and marketing, business development, general administration and working capital	2,152,750	3,144,600(2)
Total	**$4,652,750(1)**	**$4,280,500 (3)**

Notes:

(1) The prospectus supplement dated March 6, 2017 discloses a total use of proceeds of $4,025,000, after deducting the Underwriter's fee and estimated expenses of the 2017 Offering, which assumed no exercise of the over-allotment option. The over-allotment option was fully exercised and as a result, the estimated net proceeds received from the 2017 Offering was $4,652,750 after deducting the Underwriter's fee and estimated expenses of the 2017 Offering.

(2) This item is higher than expected due to the Company having a higher actual working capital deficit than was estimated at the time of filing of the March Prospectus. This amount does not take into account cash from revenues earned but not received and expenditures incurred but not yet paid for the period from April 1, 2017 to May 30, 2018. Actual sales were lower than anticipated from April 1, 2017 to May 30, 2018

(3) Actual costs of the 2017 Offering, including the Underwriter's fee and other expenses relating to the 2017 Offering, were $622,905 versus the estimate of $522,250 due to legal fees.

The amount spent on product development from March 13, 2017 to the date of this report was $764,000, including the execution of a Proof of Concept clinical study for AQS1303 and market research involving over 400 physicians associated with the medical cannabis program. No additional development work was completed for AQS1302 during this period due to changes in market dynamics which have lead Aequus to no longer advance this program. The Company expects to initiate studies for its medical cannabis program in the coming months, following the completion of several collaborative partnerships in this field. The Company incurred $356,000 of expenses associated with regulatory consulting fees primarily related to preparations and the submission for a Pre-IND meeting for AQS1303, with feedback expected in Q2 2018. The expenses associated with sales and marketing, business development, general administration and working capital totaled $3,030,000 and mainly involved business development efforts associated with strategic partnerships announced around the medical cannabis program and new commercial stage programs, as well as internal costs to support operations.

On January 31, 2018, the Company completed an equity financing of 1,000,000 units of the Company at a price of $0.30 per unit for total proceeds of $300,000. Each unit comprising of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 for a period of twenty-four months. The warrants include an acceleration provision, exercisable at the Company's option, if the Company's daily volume weighted average share price is greater than $0.85 for 10 consecutive trading days. The use of proceeds were expected to be used for general corporate expenditures, including work related to marketing and branding. As at May 30, 2018, the project was completed and all funds have been expended.

OUTSTANDING SHARE CAPITAL

As of May 30, 2018, there were no Class A Preferred shares without par value in the capital of the Company ("**Class A Preferred Shares**") issued and outstanding, 72,561,970 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number Outstanding as of May 30, 2018	Number Outstanding as of March 31, 2018
Common Shares issued and outstanding	72,561,970	72,410,176
Class A Preferred Shares	Nil	Nil
Options(2)	7,748,278	7,718,278
Warrants(1)	9,625,000	9,625,000
Broker Warrants(3)	862,500	862,500

Notes:

(1) In conjunction with the March 2017 financing, the Company issued 8,625,000 common share purchase warrants at an exercise price of $0.45. On January 31, 2018 the Company issued 1,000,000 common share purchase warrants at an exercise price of $0.50.

(2) Of the 7,748,278 options outstanding, 5,281,072 are vested and exercisable at a weighted average price of $0.35 per Common Share. The remaining 2,467,206 options are not vested and have a weighted average price of $0.24 per Common Share. Subsequent to March 31, 2018, 30,000 options were issued to a consultant.

(3) In conjunction with the March 2017 financing, the Company issued 862,500 broker warrants (the "**2017 Broker Warrants**"). Each 2017 Broker Warrant entitles a holder to acquire one Unit at a price of $0.30 per Unit.

In October 2016 the Company entered into a service agreement with Camargo where US$192,000 was to be paid in common shares as defined milestones were achieved. As of May 30, 2018 the Company has issued 650,021 shares for $180,745 of services received. The Company expects to complete this contract during Q2 2018.

SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company issued 151,794 common shares as part of a service agreement entered into with Camargo Pharmaceutical Services, LLC for regulatory consulting services with a fair value of $45,124.

Subsequent to March 31, 2018, the Company granted 30,000 stock options exercisable at $0.25 per share for a period of 8 years. 25% of the options vest immediately, 25% on the first anniversary of the grant date, and the remainder on the second anniversary of the grant date.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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 in the normal course of business:

		Three Months Ended March 31, 2018		Three Months Ended March 31, 2017
Management fees, Consulting fees & Salaries and wages	$	155,807	$	190,506
Share-based payments		47,078		48,080
	$	202,885	$	238,586

[i] Effective December 1, 2016, the Company entered into a consulting agreement with Northview Ventures Inc. ("NVI") and Doug Janzen. Mr. Janzen is the Chief Executive Officer of the Company. Northview Ventures Inc. was compensated at a monthly rate of $25,000 from December 1, 2016 to March 31, 2017 and then $15,000 per month thereafter. During the three months ended March 31, 2018, NVI received $45,000 in compensation (2017 - $75,000).

[ii] Effective December 1, 2016, the Company entered into a consulting agreement with Crecera Consulting Inc. ("Crecera") and Anne Stevens. Ms. Stevens is the Chief Operating Officer of the Company. Crecera was compensated at a monthly rate of $12,000 from December 1, 2016 to March 31, 2017 and then $12,500 per month thereafter. During the three months ended March 31, 2018, Crecera received $nil (2017 - $36,000) in compensation.

Effective October 1, 2017 the contract with Crecera was terminated and Anne Stevens entered into an employment contract with the Company compensated at a monthly rate of $12,500 for a total salaries of $37,500 for the three months ended March 31, 2018 (2017 – nil).

[iii] 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 three months ended March 31, 2018, Mr. Ball charged total consulting fees of $36,000 (2017 - $36,000).

As of March 31, 2018, the Company has included in its accounts payable and accrued liabilities $18,953 (December 31, 2017 - $17,967) due to Mr. Ball.

[iv] 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, Dr. McAfee was compensated at a daily rate of US$1,000. During the three months ended March 31, 2018, Dr. McAfee charged total consulting fees of $21,763 (2017 - $20,048).

As of March 31, 2018, the Company has included in its accounts payable and accrued liabilities $6,207 (December 31, 2017 - $3,764) due to Dr. McAfee.

[v] 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 three months ended March 31, 2018, Fehr & Associates charged total consulting fees of $15,544 (2017 - $23,458) for CFO and outsourced accounting services.

As of March 31, 2018, the Company has included in its accounts payable and accrued liabilities $4,864 (December 31, 2017 - $5,053) due to Fehr & Associates.

The amounts owing to the related parties as described above are non-secured, non-interest bearing, with no specific terms of repayment.

Key management compensation

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Management fees, General administration	$ 33,750	$ 83,250
Management fees, Research and development	11,250	27,750
Salaries & Wages, General administration	28,125	-
Salaries & Wages, Research and development	9,375	-
Consulting fees, General administration	28,144	36,058
Consulting fees, Research and development	21,763	20,048
Consulting fees, Sales and marketing	23,400	23,400
Share-based payments, General administration	17,061	26,012
Share-based payments, Research and development	13,689	3,131
Share-based payments, Sales and marketing	16,328	18,937
	$ 202,884	$ 238,586

Other

During the year ended December 31, 2017, the Company entered into two separate sublease agreements with Northview Lifesciences and Fehr & Associates to receive cost recovery of $500 and $3,150 per month for shared office space. During the three months ended March 31, 2018 the Company received $10,950 as a recovery of rent expense (2017 – 1,500).

PROPOSED TRANSACTIONS

There are at present no transactions outstanding that have been proposed but not approved by either the Company or regulatory authorities.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

Changes in Accounting Policies - Revenue from Contracts with Customers

The Company adopted the requirements of IFRS 15 as of January 1, 2018. This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

The main features introduced by this new standard compared with predecessor IFRSs are as follows:

Revenue is recognized based on a five-step model:
1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on January 1, 2018.

Changes in Accounting Policies - Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Amounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

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 and expects no significant effect on the Company's consolidated financial statements when adopted.

- 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.

FINANCIAL INSTRUMENTS AND RISKS

Fair value

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

The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are 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.

During the three months ended March 31, 2018 there have been no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy.

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2018 and December 31, 2017:

At December 31, 2017	Amortized cost (Financial asset)	FVTPL	Amortized cost (Financial Liabilities)	Total
Financial assets:				
Cash and cash equivalents	$ -	$ 1,164,518	$ -	$ 1,164,518
Amounts receivable	383,074	-	-	383,074
Total financial assets	383,074	1,164,518	-	1,547,592
Financial liabilities:				
Accounts payable and accrued liabilities	-	-	366,836	366,836
Total financial liabilities	-	-	366,836	366,836

At March 31, 2018	Amortized cost (Financial asset)	FVTPL	Amortized cost (Financial Liabilities)	Total
Financial assets:				
Cash and cash equivalents	$ -	$ 842,299	$ -	$ 842,299
Amounts receivable	376,849	-	-	376,849
Total financial assets	376,849	842,299	-	1,219,148
Financial liabilities:				
Accounts payable and accrued liabilities	-	-	396,893	396,893
Total Financial Liabilities	-	-	396,893	396,893

[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**") with banks, and government

guaranteed securities with maturities of one year or less. The Company have cashable GIC at March 31, 2018 of $300,000 (December 31, 2017 - $850,000). Amounts receivable consist of goods and services tax due from the Government of Canada and service fees owed from a collaborative partner.

[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 March 31, 2017, the Company had working capital of $952,729 (December 31, 2017 - $1,348,147).

[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 three months ended March 31, 2018 and 2017, 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 dollars relative to the U.S. dollars could have an effect on the Company's results of operations, financial position or cash flows.

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

	March 31, 2018 USD	December 31, 2017 USD
Cash and cash equivalents	$ -	$ 40
Accounts payable and accrued liabilities	(45,657)	(36,733)
Total	$ (45,657)	$ (36,693)

Based on the above net exposure as at March 31, 2018, 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 $3,800 (2017 - $1,834) in the Company's net loss. Furthermore, the company incurred $118,605 USD expenditures during the three months ended March 31, 2018. A 5% appreciation or deterioration of the Canadian dollar against the U.S dollar would result in a change of $5,930 in net loss.

[d] Additional risk factors

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

Volatility of Market Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends,

acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

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

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

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

Dilution

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

Negative Cash Flow from Operations

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

Development Costs and Timing

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

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

Commercial Platform Development

Aequus has been building a commercial platform since the Company's acquisition of TeOra in July 2015. The cost of

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

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

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

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

Dependence on Key Personnel

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

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

Conflicts of Interest

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

Intellectual Property

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

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

The patent positions of biotechnology and biopharmaceutical companies, including us, is highly uncertain and involves complex legal and technical questions for which legal principles are not firmly established. The degree of future

protection for our proprietary rights, therefore, is highly uncertain. In this regard there can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our corporate collaborators' research, development and commercialization efforts. There can be no assurance that our or our corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent applications filed by us or one of our corporate collaborators.

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

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

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

ADDITIONAL INFORMATION

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