No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the accompanying short form base shelf prospectus dated June 30, 2015 to which it relates (the "Prospectus") and each document incorporated by reference in the Prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

*These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See "Plan of Distribution".*

***Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Aequus Pharmaceuticals Inc. at Suite 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4, by faxing a written request to 604-563-5033 or by calling: (604) 336-7906, and are also available electronically at www.sedar.com.*

PROSPECTUS SUPPLEMENT

TO THE SHORT FORM BASE SHELF PROSPECTUS DATED JUNE 30, 2015

(as previously supplemented by a prospectus supplement dated October 21, 2015)

New Issue January 7, 2016

AEQUUS PHARMACEUTICALS INC.

$0.50 per common share
Up to 3,500,000 common shares

Aequus Pharmaceuticals Inc. (the "**Company**" or "**Aequus**") hereby offers up to 3,500,000 (the "**Offering**") common shares (the "**Common Shares**") in the capital of the Company for sale to the public at a price of $0.50 per Common Share for aggregate gross proceeds to the Company of up to $1,750,000.

The Common Shares are listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "AQS". The closing price of the Common Shares on January 6, 2016, the last trading date before the date hereof, was $0.64 per Common Share on the TSX-V. The TSX-V has conditionally approved the listing of the offered Common Shares on the TSX-V. Listing is subject to the Company fulfilling all of the requirements of the TSX-V.

	Price to the Public	Commission [2]	Proceeds to the Company [3]
Per Common Share	$0.50	$Nil	$0.50
The Offering[1]	$1,750,000	$Nil	$1,750,000

(1) Up to 3,500,000 Common Shares are offered hereunder. See "*Plan of Distribution*".
(2) No commission will be payable in connection with the Offering.
(3) Before deducting the costs of this issue, estimated at approximately $50,000, inclusive of legal and audit fees, the listing fees payable to the TSX-V, and other expenses of the Company. See "*Use of Proceeds*".

The Offering price of the Common Shares was set by the Company. All funds received from subscriptions for Common Shares will be paid directly to the Company by the investors. See "*Plan of Distribution*".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on January 12, 2016 or on such other date as the Company may determine (the "**Closing Date**"). It is expected that share certificates evidencing the Common Shares in definitive form will be available for delivery on the Closing Date.

The Company also intends to complete, on a private placement basis, a non-brokered offering (the "**Private Placement**") of up to 2,000,000 Common Shares on the same terms as the Common Shares to be issued under the Offering, for aggregate gross proceeds of up to $1,000,000. The Private Placement is expected to close on or before January 12, 2016 or on such other date as the Company may determine. See "*Private Placement*". This prospectus supplement does not qualify the distribution of the Common Shares issuable pursuant to the Private Placement. The Private Placement is subject to a number of conditions, including the completion of definitive documentation.

Our head office is located at Suite 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4 and our registered office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1L3.

Investing in Aequus' securities is speculative and involves a high degree of risk. You should carefully read the "*Risk Factors*" in this prospectus supplement, the Prospectus and in the documents incorporated by reference herein and therein, as well as the information under the heading "*Forward-Looking and Other Statements*". Potential investors are advised to consult their own legal counsel and other professional advisors in order to assess income tax, legal and other aspects of an investment in Aequus, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Common Shares.

Aequus is a specialty pharmaceutical company focused on developing and commercializing high quality, differentiated products. Due to the nature of the Company's business, an investment in any securities of the Company is speculative and involves a high degree of risk that should be considered by potential investors. An investment in securities of the Company should only be undertaken by those persons who can afford the total loss of their investment.

Investors should rely only on the information contained in or incorporated by reference into this prospectus supplement. The Company has not authorized anyone to provide investors with different information. Information contained on the Company's website shall not be deemed to be a part of this prospectus supplement or incorporated by reference and should not be relied upon by prospective investors for the purpose of determining whether to invest in the securities. The Company will not make an offer of these securities in any jurisdiction where the offer or sale is not permitted. Investors should not assume that the information contained in this prospectus supplement is accurate as of any date other than the date on the face page of this prospectus supplement.

No underwriter has been involved in the preparation of this prospectus supplement or performed any review of the contents of this prospectus supplement.

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PROSPECTUS

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes certain terms of the securities the Company is offering and adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Common Shares offered hereunder. Defined terms or abbreviations used in this prospectus supplement that are not defined herein have the meanings ascribed thereto in the Prospectus. This prospectus supplement is deemed to be incorporated by reference into the accompanying Prospectus solely for the purpose of the Offering. If information in this prospectus supplement is inconsistent with the accompanying Prospectus or the information incorporated by reference, you should rely on this prospectus supplement. You should read both this prospectus supplement and the accompanying Prospectus together.

You should rely only on the information contained in this prospectus supplement or incorporated by reference into the Prospectus. The Company has not authorized anyone to provide you with different or additional information. The Company is not making an offer to sell the Common Shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the Prospectus or any documents incorporated by reference into the Prospectus, is accurate as of any date other than the date on the front of those documents as the Company's business, operating results, financial condition and prospects may have changed since that date.

MEANING OF CERTAIN REFERENCES

In this prospectus supplement, unless the context otherwise indicates, the terms "Aequus", "Company", "we", "us" and "our" mean Aequus Pharmaceuticals Inc.

This prospectus supplement and the documents incorporated by reference in this prospectus supplement and the accompanying Prospectus include references to trade names and trade-marks of other companies, which trade names and trade-marks are the property of their respective owners.

Statistical information and other data relating to the pharmaceutical and biotechnology industry included in this prospectus supplement and the documents incorporated by reference in this prospectus supplement and the accompanying Prospectus are derived from industry reports published by industry analysts, industry associations and/or independent consulting and data compilation organizations. Market data and industry forecasts used throughout this prospectus supplement were obtained from various publicly available sources. Although we believe that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

In this prospectus supplement, unless otherwise noted, all dollar amounts are in Canadian dollars.

FORWARD-LOOKING AND OTHER STATEMENTS

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

- the intention to enrol patients in a non-IND Phase 1a Proof of Concept clinical trial for our transdermal aripiprazole patch;

- the initiation, timing, cost, progress and success of our research and development ("**R&D**") programs, pre-clinical studies and clinical trials;
- 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 obtain funding for our operations, including research funding;
- the Company's 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 ability to promote and market third party products;
- our reliance on subcontractors and contract research organizations to conduct our operations;
- 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 the Company will receive, and the timing and costs of obtaining, regulatory approvals in the U.S., Canada, the European Union and other jurisdictions;
- the therapeutic benefits, effectiveness and safety of our product candidates;
- the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;
- the rate and degree of market acceptance and clinical utility of our future products, if any;
- 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 required to grow our business;
- the compensation that is expected to be paid to employees 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;
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing; and
- the terms of the Private Placement, subscriptions thereto and the timing thereof.

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

requirements of the TSX-V in connection with the listing of the Common Shares issuable under the Private Placement.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined herein under the heading "*Risk Factors*". 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 prospectus or, in the case of documents incorporated by reference in this prospectus, as of the date of such documents, 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.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the Prospectus as of the date hereof and only for the purposes of the distribution of the Common Shares offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See "*Documents Incorporated by Reference*" in the Prospectus.

Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in each of the provinces of British Columbia, Alberta, Manitoba, Saskatchewan and Ontario. Copies of the documents incorporated by reference in this prospectus supplement and not delivered with this prospectus supplement may be obtained on request without charge from the Secretary of Aequus at Suite 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4, telephone: (604) 336-7906 or by accessing the disclosure documents through the internet on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

The following documents, filed with the securities commissions or similar regulatory authorities in each of the provinces of British Columbia, Alberta, Manitoba, Saskatchewan and Ontario, are specifically incorporated by reference, and form an integral part of, this prospectus supplement:

- the material change report of the Company dated December 21, 2015 regarding the completion of an offering of 2,475,000 Common Shares at a price of $0.50 per Common Share, for aggregate gross proceeds of $1,237,500 in October 2015 (the "**October 2015 Financing**");
- the unaudited condensed interim financial statements of Aequus for the three and nine months ended September 30, 2015;
- the management's discussion and analysis of financial condition and results of operations of Aequus for the three and nine months ended September 30, 2015;
- the material change report of the Company dated October 9, 2015 regarding the Company's entry into a binding term sheet with an unnamed partner in Canada to be its exclusive promotion and marketing partner in the Canadian market for tacrolimus IR;
- the material change report of the Company regarding the Company's entry into a definitive agreement to acquire TeOra Health Ltd. ("**TeOra**") dated July 22, 2015;
- the management information circular of the Company dated July 9, 2015 in connection with the annual meeting of the shareholders of the Company held on August 10, 2015;
- the material change report of the Company dated May 8, 2015 regarding the Company's entry into a collaboration agreement in respect of transdermal products;

- the material change report of the Company dated March 19, 2015 regarding the listing of its common shares on the TSX-V and the appointment of an independent director;

- the audited annual financial statements of Aequus for the periods ended December 31, 2014 and 2013, together with the notes thereto and the auditor's report thereon;

- the management's discussion and analysis of financial condition and results of operations of Aequus for the year ended December 31, 2014; and

- the following sections of the long-form prospectus of the Company dated February 18, 2015 (the "**Long-Form Prospectus**"): "*Business of the Company*"; "*Interest of Management and Others in Material Transactions*" and "*Experts*".

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including those types of documents referred to above and press releases issued by Aequus referencing incorporation by reference into this prospectus supplement, if filed by Aequus with the provincial securities commissions or similar authorities in Canada after the date of this prospectus supplement and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference into the Prospectus for purposes of the Offering. Documents referenced in any of the documents incorporated by reference in this prospectus supplement but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or in this prospectus supplement are not incorporated by reference in this prospectus supplement. These documents are available through the internet on SEDAR which can be accessed at www.sedar.com.

Any statement contained in the Prospectus or this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into the Prospectus or this prospectus supplement shall be deemed to be modified or superseded for purposes of the Prospectus or this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference into the Prospectus or this prospectus supplement modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of the Prospectus or this prospectus supplement.

Upon our filing new annual financial statements and management's discussion and analysis with applicable securities regulatory authorities during the currency of this prospectus supplement, the previous annual financial statements and management's discussion and analysis and all quarterly financial statements, supplemental information, material change reports and information circulars filed prior to the commencement of our financial year in which the new annual financial statements are filed will be deemed no longer to be incorporated into this prospectus supplement for purposes of future offers and sales of our securities under this prospectus supplement. Upon our filing new condensed interim financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the duration of this prospectus supplement, all condensed interim financial statements and the accompanying management's discussion and analysis filed prior to the new condensed interim financial statements shall be deemed no longer to be incorporated into this prospectus supplement for purposes of future offers and sales of securities under this prospectus supplement.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized in connection with the Offering are not part of this prospectus

supplement or the Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus supplement. Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this prospectus supplement.

THE COMPANY

The following description of the Company is derived from selected information about the Company contained in the documents incorporated by reference and does not contain all of the information about the Company and its business that should be considered before investing in the Company's securities. This prospectus supplement and the documents incorporated by reference should be reviewed and considered by prospective purchasers in connection with their investment in the Company's securities.

Name, Address and Incorporation

The Company was incorporated under the name "Aequus Pharmaceuticals Inc." pursuant to the *Business Corporations Act* (British Columbia) on January 3, 2013. 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 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4. The Company recently acquired TeOra, which is the Company's only subsidiary. See "*Recent Developments*".

Overview of the Company

Aequus is a specialty pharmaceutical company primarily focused on the development and commercialization of high quality, differentiated products. Aequus' development stage pipeline includes several products in neurology and psychiatry with a goal of addressing the need for improved medication adherence through enhanced delivery systems. The Company intends to commercialize its internally developed products in Canada, and establish strategic partnerships to accelerate product development and maximize market reach of its product candidates for markets outside of Canada. Through the Company's recent acquisition of TeOra that was completed on July 28, 2015, the Company now has access to a Canadian commercial platform to build on for launching products that are either created internally or brought into the Company through an acquisition or license.

The Company's initial product candidates are focused around Central Nervous System ("**CNS**") disorders, where non-compliance with use and dosage instructions has particularly severe consequences to patients. Aequus' lead product candidate, AQS-1301, is expected to be a once-weekly transdermal formulation of aripiprazole that is currently in pre-clinical development. The oral, once-daily formulation of aripiprazole is currently marketed under the trade name Abilify with worldwide annual sales in 2013 exceeding USD$8 billion. The basic U.S. composition of matter patent covering aripiprazole and the term of the market exclusivity in the U.S. expired in April 2015 (including the granted patent term extension and six month pediatric extension), and the first oral generic Abilify was launched by Teva Pharmaceutical Industries Ltd. on April 28, 2015. European market exclusivity expired in June 2014 and is expected to expire in Canada in 2018, according to Health Canada. Abilify is a market leader in the U.S., and Aequus believes it has limitations due to its daily dosing regimen which is associated with a high rate of non-compliance and relapse. Aequus' proposed transdermal, once-weekly aripiprazole patch is expected to increase patient convenience and compliance in a non-invasive fashion.

In a survey of 236 U.S.-based psychiatrists to understand the market potential for AQS-1301 in respect of (i) the current treatment patterns for patients with schizophrenia, bipolar I disorder, MDD, and autistic disorder, and (ii) what proportion of their patient population would they switch to each of the presented transdermal product profiles, over 42% of patients experience a relapse at least once a year due to noncompliance across all four approved indications for Abilify and psychiatrists surveyed indicated approximately 25% of patients currently stable on oral aripiprazole would be switched to an Aequus transdermal alternative. Patients which were currently receiving a stable dose of oral aripiprazole in the amounts of 2mg once-daily, 5mg once-daily and 10mg once-daily would be provided with an Aequus transdermal equivalent of 2mg/day once-weekly, 5mg/day once-weekly and 10mg/day once-weekly, respectively, resulting in 27%, 25% and 27%, respectively, of the patient population that would be

switched. We believe that physician feedback has validated the need for a once-weekly transdermal formulation of aripiprazole.

The active ingredient in Aequus' lead product candidate, AQS-1301, is aripiprazole, a unique atypical antipsychotic insofar as rather than being a D2 receptor blocking agent, it is a partial agonist or stimulant at D2 receptors. Aripiprazole is also a partial agonist or stimulant at 5-HT 1a serotonin receptors, as well as blocking or antagonizing the 5-HT 2a receptor. Based on its unique mechanism of action compared to other antipsychotics, namely partial D2 receptor stimulation, it has been found to be sparing in terms of its propensity to cause parkinsonism. Studies have reported rates of antipsychotic-induced parkinsonism, an extrapyramidal symptom, to be lower in those treated with aripiprazole then those treated with a placebo. Nonetheless, all atypical antipsychotics can cause any given side effect with varying rates and severity.

Aripiprazole was granted a notice of compliance from the FDA in 2002 based on the efficacy and safety data derived from its pre-marketing or "registration trials" and has since established a history of clinical efficacy and safety in its marketed oral and depot formulations.

AQS-1301 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, AQS-1301 is intended to promote enhanced patient compliance.

Aequus completed pre-clinical studies for a once-weekly, transdermal aripiprazole patch with its development and manufacturing partner, Corium International, Inc. ("**Corium**") in July 2015, received approval from Health Canada to initiate a non-IND Phase 1a Proof of Concept ("**POC**") clinical trial in November 2015, and completed dosing in the first stage of the POC recently on December 14, 2015. In accordance with Aequus' Development Agreement with Corium (see "*Business of the Company – Strategic Agreements – Corium International, Inc.*" in the Long-Form Prospectus), Corium has an option to co-fund clinical development under the terms of the Multi-product Collaboration Agreement with Corium (see "*Business of the Company – Overview of the Company*" and "*Business of the Company – Recent Updates*" in the Prospectus). Pursuant to the Multi-product Collaboration Agreement, Aequus anticipates Corium's co-funding to be up to 50% of the clinical program following the Phase 1a POC clinical trial for higher level of the economics of the sales or licensing revenues of AQS-1301.

Aequus anticipates filing a Section 505(b)(2) New Drug Application ("**NDA**") with the FDA, for approval of AQS-1301, which is required before marketing a new drug in the U.S.A Section 505(b)(2) NDA relies in part on clinical trials that Aequus needs to conduct, and in part on third-party findings of safety and efficacy for the active ingredients for which Aequus has not obtained a right of reference or which have been established in the scientific literature in the public domain.

Aequus expects to commercialize AQS-1301 in the U.S. and the rest of the world, if approved by the FDA and other relevant regulatory bodies for commercial sales, via a third party commercial partner or partners. However, Aequus may retain commercialization rights in certain territories, such as Canada, where it may commercialize the product through a direct specialized sales force should AQS-1301 be approved for sale in those jurisdictions.

Aequus, along with its development and manufacturing partner Corium, is currently developing an optimized formulation that we expect will allow us to reliably manufacture a long-acting transdermal aripiprazole patch. Aequus believes that the technical challenges and know-how involved in manufacturing, including proprietary chemistry, present significant barriers to entry for other specialty pharmaceutical companies who might potentially look to replicate a once-weekly transdermal formulation of aripiprazole.

Aequus believes its intellectual property is an additional barrier to potential competitors. Pursuant to a license agreement with Transdermal Pharma Research Laboratories LLC ("**TRPL**"), Aequus has obtained an exclusive, perpetual, world-wide, royalty-free license right to a provisional patent around the transdermal formulation of aripiprazole (see "*Business of the Company – History of the Company*" in the Long-Form Prospectus), and Aequus continues to sponsor TRPL to prosecute additional patent applications related to the product, both in the U.S. and internationally (see "*Business of the Company - Patents and Proprietary Protection*" in the Long-Form Prospectus). The intellectual property related to its chemical formulation of AQS-1301 is exclusively licensed by Aequus and there are no payments or royalties owed to third parties in connection with this intellectual property. In the event that Corium's proprietary and patent-protected transdermal delivery system technology is incorporated into the product,

the Multi-product Collaboration Agreement provides for Corium to grant Aequus an exclusive, worldwide, license to such technology solely to develop, use, have used, distribute for sale, promote, market, sell, have sold, offer for sale, import and export for the specific product.

In addition to AQS-1301, Aequus is developing a pipeline of other CNS product candidates that specifically benefit from the various attributes that transdermal and other long-acting delivery systems can confer.

Employees

As of the date of this prospectus supplement, Aequus has two employees. The Company mainly uses consultants and contractors to conduct its operations.

Facilities

The Company operates from its head office located in Vancouver, Canada. Operations related to the AQS-1301 program are primarily outsourced to contractors including Corium, based in Menlo Park, California and TRPL, based in Long Island City, New York.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Company as of September 30, 2015, both before and after giving effect to the Offering and the Private Placement. Other than the 2,475,000 Common Shares issued pursuant to the October 2015 Financing and 123,750 broker warrants to purchase that number of Common Shares issued to Richardson GMP Limited pursuant to the October 2015 Financing, there has not been any material change in the share and loan capital of the Company, on a consolidated basis, since the Company's most recently filed financial statements for the three and nine months ended September 30, 2015. The table below should be read in conjunction with the unaudited condensed interim financial statements of Aequus for the three and nine months ended September 30, 2015 and the related management's discussion and analysis thereof, incorporated in each case by reference in this prospectus supplement.

	Authorized	**As at September 30, 2015[(1)]**	**As at September 30, 2015 after giving effect to the October 2015 Financing [(2)]**	**As at September 30, 2015 after giving effect to the October 2015 Financing and the Private Placement[(3)]**	**As at September 30, 2015 after giving effect to the October 2015 Financing, the Private Placement Financing and the Offering[(4)]**
Common Shares	Unlimited	$6,712,044 37,079,127 Common Shares	$7,949,544 39,554,127 Common Shares	$8,949,544 41,554,127 Common Shares	$10,699,544 45,054,127 Common Shares
Class A Preferred Shares	Unlimited	Nil	Nil	Nil	Nil

Notes:

(1) As at September 30, 2015, the Company had stock options, common share purchase warrants, and agents' warrants outstanding that could result in the issuance of up to 4,042,337, 4,319,778, and 425,521 additional Common Shares, respectively.

(2) Subsequent to September 30, 2015, the Company closed the October 2015 Financing and issued 2,475,000 Common Shares for total gross proceeds of $1,237,500. Dollar figure presented includes gross proceeds from the October 2015 Financing but excludes financing expenses estimated to be $150,000, agent's commission of $92,812 and the corporate finance fee of $25,000. Pursuant to this financing, the Company also issued broker warrants to the agent. If the broker warrants are exercised in full, the common share figure will be increased by an additional 123,750 Common Shares to 39,677,877 Common Shares and the dollar figure prior to financing expenses will be increased by $61,875 to $8,011,419.

(3) Dollar figure presented assumes maximum gross proceeds of $1,000,000 from the Private Placement but excludes financing expenses estimated to be $25,000.

(4) Dollar figure presented assumes maximum gross proceeds of $1,750,000 before deducting expenses of the Offering, estimated to be

$50,000.

RECENT DEVELOPMENTS

On July 13, 2015, Anne Stevens was promoted to Chief Operating Officer of Aequus.

On July 28, 2015, the Company acquired all of the issued and outstanding shares of TeOra, a privately held Canadian specialty pharmaceutical company (the "**Acquisition**"). The Acquisition provided the Company with sales and marketing capabilities, and a right to promote and market a branded generic ophthalmology product within Canada. Total consideration for the Acquisition is 420,000 Common Shares which were issued to TeOra shareholders upon closing, and an additional 2,940,000 Common Shares which will be held in escrow and released based on the achievement of certain milestones and performance targets and additional product launches. If all milestones are met, total consideration for the Acquisition will be the issuance of 3,360,000 Common Shares to TeOra shareholders. Ian Ball, the founder of TeOra, was appointed as Chief Commercial Officer of the Company effective on July 28, 2015.

On August 27, 2015, the Company announced that its outstanding Common Shares have started trading on the OTCQB® Venture Marketplace exchange in the United States under the symbol "AQSZF".

On September 29, 2015, the Company entered into a binding term sheet (the "**Term Sheet**") with an unnamed partner in Canada to be its exclusive promotion and marketing partner in the Canadian market for tacrolimus IR, an immunosuppressive therapy used for the treatment and prevention of acute rejection following organ transplantation, and potentially in connection with two additional transplant products. The Term Sheet provides that the parties will negotiate and enter into a more detailed, definitive service agreement.

On October 30, 2015, the Company closed the October 2015 Financing and issued 2,475,000 Common Shares at a price of $0.50 per Common Share, for aggregate gross proceeds of $1,237,500. Pursuant to this financing, the Company paid $92,812 of cash commission and granted 123,750 broker warrants exercisable into Common Shares at a price of $0.50 per Common Share until October 30, 2017 to its financing agent, Richardson GMP Limited.

On November 16, 2015, the Company announced that it would initiate the POC trial to evaluate the bioavailability and safety of AQS-1301 following the receipt of a No Objection Letter from Health Canada to the Company's Clinical Trial Application.

On December 2, 2015, the Company announced it had initiated sales and marketing efforts in the Canadian market for tacrolimus IR. Aequus had deployed its specialty hospital sales force targeting major transplant centers across Canada.

On December 14, 2015, the Company announced it had completed dosing in the first stage of its POC trial for AQS-1301.

PRIVATE PLACEMENT

The Company intends to complete a Private Placement of up to 2,000,000 Common Shares on the same terms as the Common Shares to be issued under the Offering, for aggregate gross proceeds of up to $1,000,000. This prospectus supplement does not qualify the distribution of the Common Shares issuable pursuant to the Private Placement. The Private Placement may or may not close concurrently with the Offering. The Common Shares to be issued pursuant to the Private Placement will be subject to a statutory hold period of four months plus one day. The Private Placement is subject to a number of conditions, including the completion of definitive documentation. The TSX-V has conditionally approved the listing of the Common Shares to be issued under the Private Placement on the TSX-V. Listing is subject to the Company fulfilling all of the requirements of the TSX-V, including closing the Private Placement on or before January 25, 2016.

TRADING PRICE AND VOLUME

The Common Shares are currently listed on the TSX-V under the trading symbol "AQS" and commenced trading on the TSX-V on March 17, 2015. The following table sets forth the reported intraday high and low prices and the

trading volume for the Common Shares as reported on the TSX-V prior to the date of this prospectus supplement. As of January 7, 2016, Aequus had 39,554,127 Common Shares issued and outstanding.

Month	Monthly Low Price ($)	Monthly High Price ($)	Monthly Volume
March 2015[(1)]	0.55	0.80	2,035,062
April 2015	0.50	0.71	878,669
May 2015	0.57	0.68	654,026
June 2015	0.47	0.65	977,512
July 2015	0.49	0.75	744,482
August 2015	0.50	0.62	2,148,570
September 2015	0.50	0.65	470,890
October 2015	0.50	0.62	430,585
November 2015	0.45	0.70	586,170
December 2015	0.58	0.68	698,371
January 2016[(2)]	0.58	0.69	161,300

Notes:

(1) The Company's Common Shares were listed for trading on the TSX-V on March 17, 2015. From March 17, 2015 to March 31, 2015.

(2) From January 4, 2016 to January 6, 2016, the last trading prior to the date of this prospectus supplement.

On January 6, 2016, the last full trading day prior to the announcement of the Offering, the closing price of the outstanding Common Shares on the TSX-V was $0.64.

PRIOR SALES

This table sets out particulars of the Common Shares and securities exercisable for or exchangeable into Common Shares issued within the 12 months prior to the date of this prospectus supplement.

Date of Issuance/Grant	Type of Security	Number of Securities Issued	Issue/Exercise Price
February 25, 2015	Common Shares[(1)]	7,618,780	$0.00
February 25, 2015	Underlying Warrants[(1)]	3,809,388	$0.75
February 25, 2015	Agents' Warrants[(2)]	425,521	$0.55
March 6, 2015	Options	750,000	$0.55
May 8, 2015	Common Shares[(3)]	100,000	$0.35
July 8, 2015	Common Shares [(3)]	25,000	$0.35
July 9, 2015	Options	300,000	$0.57
July 28, 2015	Common Shares[(4)]	3,360,000	N/A
September 30, 2015	Options	645,000	$0.55
October 30, 2015	Common Shares[(5)]	2,475,000	$0.50
October 30, 2015	Broker Warrants[(6)]	123,750	$0.50

Notes:

(1) Each Special Warrant (as defined in the Prospectus) was exercised into one Common Share and one half of one Underlying Warrant (as defined in the Prospectus) on February 25, 2015.

(2) Each Special Agents' Warrant (as defined in the Prospectus) was exercised into one Agents' Warrant (as defined in the Prospectus) on February 25, 2015.

(3) Issued in connection with the exercise of options to acquire Common Shares ("**Options**").

(4) Issued in connection with the Acquisition whereby Aequus acquired all of the issued and outstanding shares of TeOra.
(5) Issued to investors in connection with the October 2015 Financing.
(6) Issued to the agent in connection with the October 2015 Financing.

USE OF PROCEEDS

The aggregate net proceeds to be received by the Company from the sale of the Common Shares offered by this prospectus supplement are estimated to be up to $1,700,000 after deducting estimated expenses of $50,000.

The Company intends to use the net proceeds of the Offering plus the net proceeds from the Private Placement and the October 2015 Financing, and net of its working capital deficiency as of September 30, 2015 (unaudited) as follows:

Principal Purpose	**Estimated Amount to be Expended[(1)] ($)**
AQS-1301 Phase 1a Proof of Concept studies	244,000
AQS-1301 Phase 1b Bioequivalence study	293,000
AQS-1301 Registration study preparation	100,000
AQS-1302 and other pipeline programs	364,000
Patent conversions and applications	78,000
Business development, general administration and working capital	2,236,138
Total Use of Proceeds	3,315,138
Working Capital Available	
Estimated net proceeds from the Offering	1,700,000
Estimated net proceeds from the Private Placement	975,000
Estimated net proceeds from the October 2015 Financing	969,688
Working capital deficiency as of September 30, 2015 (unaudited)	(329,550)
Estimated Total Working Capital	3,315,138

(1) Assumes maximum net proceeds of $1,700,000 from the Offering after deducting the costs of this issue, estimated at approximately $50,000, and maximum net proceeds of $975,000 from the Private Placement after deducting the estimated issuance cost of $25,000.

While the Company currently intends to use the net proceeds from the Offering for the purposes set out herein, the ultimate allocation of such proceeds and the timing of their expenditure will depend upon the prevailing business opportunities and conditions and the progress of clinical development. The Company will have discretion to use the net proceeds differently than as described herein, if the Company believes it is in its best interests to do so. The amounts and timing of Aequus' actual expenditures depend on numerous factors, including the progress of Aequus' pre-clinical development efforts and any unforeseen cash needs. Pending the use of the proceeds described herein, the Company may hold or invest all or portion of the proceeds of the Offering in interest bearing bank accounts and the funds will be added to the working capital of the Company.

Although it is difficult to predict future liquidity requirements, we believe that the net proceeds from the Offering, together with the net proceeds from the Private Placement and the October 2015 Financing, and net of our existing working capital deficiency, will fund our operations into July of 2016.

By the nature of its business as a pre-clinical pharmaceutical company, the Company had negative operating cash flow for its most recent interim financial period and financial year. To the extent the Company has negative cash flows in future periods, the Company may use a portion of its general working capital to fund such negative cash flow. See "*Risk Factors*".

Research and Development

Aequus intends to use the proceeds from the Offering to further the advancement of AQS-1301, develop new programs in its pipeline and for general operating expenses. The major components of the development work expected to be funded by the Offering are as follows:

- Approximately $637,000 to conduct additional preclinical studies and early clinical development in preparation for a potential Phase 2 Registration study for AQS-1301

- Approximately $364,000 to advance our next internal program, AQS-1302, and other pipeline programs through preclinical development in preparation for potential clinical development

We may also use a portion of the net proceeds to market and promote products of a third party to generate marketing service revenue, as well as to co-develop an external program with a potential future collaborator. In addition, we may also use a portion of the net proceeds to acquire, license and invest in complementary products, technologies or businesses; however, we currently have no agreements or commitments to complete any such transactions.

Certain aspects of our development program are being carried out by third parties. In particular, Aequus has entered into a development agreement with Corium to optimize and manufacture the transdermal formulation of aripiprazole and appointed a contract research organization to conduct Phase 1a clinical trials. Aequus has also engaged the services of Transdermal Research Pharm Laboratories LLC to research the aripiprazole transdermal formulation and to initiate the formulation work on other pipeline programs as directed by Aequus.

Business Objectives and Milestones

The net proceeds from the Offering will allow Aequus to continue the development of AQS-1301 through to completion of its Phase 1a clinical study and allow for business development activities to engage with a third party partner that will further advance AQS-1301 through other clinical studies. Aequus will also advance other pipeline programs through formulation development and preclinical studies primarily to support patent filings. In addition, the Company will market branded generic products of an unnamed partner and start generating marketing revenue from its commercial platform focused in the Canadian markets. The Company intends to use the net proceeds of the Offering in accordance with the table in the earlier section under the heading "*Use of Proceeds*" of this prospectus supplement.

PLAN OF DISTRIBUTION

The Offering is for up to 3,500,000 Common Shares for total gross proceeds of $1,750,000. The funds from the Offering will be paid directly to the Company by the investors. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on the Closing Date. It is expected that share certificates evidencing the Common Shares in definitive form will be available for delivery on the Closing Date. The distribution price of the up to 3,500,000 Common Shares offered hereunder was set by the Company. The TSX-V has conditionally approved the listing of the Company's Common Shares. Listing will be subject to the Company fulfilling all the listing requirements of the TSX-V.

ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**"), the Common Shares will, if issued on the date hereof, be "qualified investments" under the Tax Act and the Regulations for a trust governed by a "registered retirement savings plan" ("**RRSP**"), "registered retirement investment fund" ("**RRIF**"), "tax-free savings account" ("**TFSA**"), "registered education savings plan", "deferred profit sharing plan" or "registered disability savings plan" (as those terms are defined in the Tax Act).

Notwithstanding that the Common Shares may be qualified investments for a TFSA, RRSP or RRIF (a "**Registered Plan**"), if the Common Shares are a "prohibited investment" within the meaning of the Tax Act for a Registered Plan, the holder or annuitant of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Common Shares will generally not be a prohibited investment for a Registered Plan if the holder

or annuitant, as the case may be, (a) deals at arm's length with the Company for the purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act) in the Company. Generally, an annuitant or holder of a RRSP, RRIF or TFSA will have a "significant interest" in the Company if the annuitant or holder, together with persons not dealing at arm's length with the annuitant or holder, owns, directly or indirectly, Common Shares representing not less than 10% of all outstanding Common Shares. In addition, the Common Shares will not be a prohibited investment if the Common Shares are "excluded property" (as defined in the Tax Act) for a Registered Plan.

Prospective purchasers who intend to invest through a Registered Plan should consult their own tax advisers with respect to whether Common Shares would be a prohibited investment having regard to their particular circumstances.

RISK FACTORS

An investment in the Common Shares is subject to a number of risks. Before deciding whether to invest in the Common Shares, investors should carefully consider the risk factors set forth in the documents incorporated by reference in this prospectus supplement and in the Prospectus (including those discussed under the heading "*Risk Factors*" in the Long-Form Prospectus and in the management's discussion and analysis of financial condition and results of operations of Aequus for the year ended December 31, 2014) and all of the other information in this prospectus supplement and the Prospectus (including, without limitation, the documents incorporated by reference herein and therein). The risks described above are not the only risks that affect Aequus. Other risks and uncertainties that the Company does not presently consider to be material, or of which Aequus is not presently aware, may become important factors that affect Aequus' future condition and results of operations.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, and material contracts identified in "*Material Contracts*" in the Prospectus, the only contracts entered into by Aequus since the beginning of the last financial year, or before the beginning of the last financial year that are still in effect, which may be regarded as material, are as follows:

- License Agreement between the Company and TRPL dated July 30, 2013, as amended on June 1, 2014 and March 11, 2015; and

- Share Purchase Agreement among Ian Richard Ball, Marina Charlotte Massingham, TeOra and the Company dated July 13, 2015.

PROMOTERS

Doug Janzen, the CEO, Chairman and a director of the Company, may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Doug Janzen owns 3,736,000 Common Shares, representing approximately 9.45% of the outstanding Common Shares as of the date of this prospectus. Doug Janzen also owns 240,000 Options and 90,000 Underlying Warrants as of the date of this prospectus.

Pursuant to the Services Agreement effective September 1, 2014 and amended March 11, 2015 among the Company, Northview Ventures and Associates General Partnership ("**Northview**"), Doug Janzen and Anne Stevens (the "**Services Agreement**"), Doug Janzen also indirectly receives compensation from the Company through his role as Co-Founder and Managing Director of Northview. Northview directs the affairs and manages the Company's business and administers or arranges for the administration of the Company's day-to-day operations. In consideration for the services provided to the Company by Northview, Northview is paid a base management fee of $27,000 per month, plus incentive bonuses upon the satisfaction of specified Milestones (as defined in the Services Agreement).

Fotios Plakogiannis, a director of the Company, may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Fotios Plakogiannis owns 5,932,500 Common Shares, representing

approximately 15.00% of the outstanding Common Shares. Dr. Plakogiannis holds no other securities of the Company, although Dr. Plakogiannis is expected to subscribe for 167,916 Common Shares under the Private Placement.

Peter Wilson may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Peter Wilson owns 2,797,750 Common Shares, representing approximately 7.07% of the outstanding Common Shares. The Company previously retained Peter Wilson, through Sterling Grant Capital Inc., as its financial advisor for a two year contract expired on April 30, 2015, at a rate of $4,000 per month. Peter Wilson is a director of Guerrero Exploration Inc. ("**Guerrero**"). On August 22, 2014, at which time Peter Wilson was a director, the Alberta Securities Commission and the Ontario Securities Commission issued a temporary cease trade order to Guerrero for the failure to file audited annual filings. No revocation order has yet been issued as the filings remain outstanding while Guerrero seeks to prepare them.

Charlie Perperidis may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Charlie Perperidis owns 2,690,500 Common Shares and indirectly controls 125,000 Common Shares through Kiriakos Capital Ltd, representing, in the aggregate, approximately 7.12% of the outstanding Common Shares. In addition, Charlie Perperidis owns 105,000 Options. The Company has retained Charlie Perperidis, through Kiriakos Capital Ltd., as its financial advisor at a rate of $5,000 per month.

Alexander Goumeniouk may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Alexander Goumeniouk owns 2,922,750 Common Shares, representing approximately 7.39% of the outstanding Common Shares. Mr. Goumeniouk holds no other securities of the Company. The Company has retained Dr. Goumeniouk, through CINEDOCS Consulting Corp., as its clinical development advisor on an as needed basis at a rate of $3,000 per month.

LEGAL MATTERS

Certain legal matters relating to the Offering and this prospectus supplement will be passed upon by Blake, Cassels & Graydon LLP on behalf of Aequus.

INTEREST OF EXPERTS

As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP, as a group, own, directly or indirectly less than 1% of the Common Shares.

The Company's auditors for the financial statements included in this prospectus, Crowe MacKay LLP, in Vancouver, British Columbia, report that they are independent from the Company in accordance with the Chartered Professional Accountants Rules of Professional Conduct in British Columbia, Canada.

AGENT FOR SERVICE OF PROCESS

Fotios Plakogiannis, a director and promoter of the Company, and Rodoula Plakogiannis, a director of the Company, reside outside of Canada and each has appointed the following agent for service of process in Canada:

Name of Person	Name and Address of Agent
Fotios Plakogiannis	Aequus Pharmaceuticals Inc., Suite 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4
Rodoula Plakogiannis	Aequus Pharmaceuticals Inc., Suite 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Crowe MacKay LLP at its offices located at 1100 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 4T5.

As of the date of this prospectus supplement, the registrar and transfer agent of the Company is Computershare Trust Company of Canada at its offices in Vancouver, British Columbia.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: January 7, 2016

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario.

"Doug Janzen"
Doug Janzen
Chief Executive Officer

"Christina Yip"
Christina Yip
Chief Financial Officer

On behalf of the Board of Directors of Aequus Pharmaceuticals Inc.

"Chris Clark"
Chris Clark
Director

"Anne Stevens"
Anne Stevens
Director

CERTIFICATE OF PROMOTERS

Dated: January 7, 2016

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario.

"Doug Janzen"
Doug Janzen

"Fotios Plakogiannis"
Fotios Plakogiannis

"Alexander Goumeniouk"
Alexander Goumeniouk

"Peter Wilson"
Peter Wilson

"Charlie Perperidis"
Charlie Perperidis

No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

*The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the securities laws of any state, and may not be offered in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act, "**U.S. Persons**") unless an exemption from registration is available. See "Plan of Distribution". This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy these securities in the United States or to any U.S. Person.*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Aequus Pharmaceuticals Inc. at Suite 2820-200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4, by faxing a written request to 604-563-5033 or by calling: (604) 336-7906, and are also available electronically at www.sedar.com.

SHORT FORM BASE SHELF PROSPECTUS

New Issue and Secondary Offering **June 30, 2015**

$15 million

Common Shares
Warrants
Units
Subscription Receipts
Debt Securities
Preferred Shares

This prospectus relates to the offering for sale from time to time by Aequus Pharmaceuticals Inc. (the "**Company**" or "**Aequus**") during the 25-month period that this prospectus, including any amendments hereto, remains effective, of up to $15 million in the aggregate, in one or more series or issuances, of (i) common shares ("**Common Shares**") in the capital of Aequus, (ii) warrants to purchase Common Shares ("**Warrants**"), (iii) units ("**Units**") comprised of one or more of the other securities described in this prospectus, (iv) subscription receipts exercisable for one or more of the other securities described in this prospectus ("**Subscription Receipts**"), (v) debt securities ("**Debt Securities**") of the Company, and (vi) preferred shares ("**Preferred Shares**") of the Company. The securities described in this prospectus may be offered by us or by our securityholders. The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in an accompanying prospectus supplement.

The Common Shares are listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "AQS". The closing price of the Common Shares on June 30, 2015, the last trading date before the date hereof, was $0.62 per Common Share on the TSX-V. Unless otherwise specified in an applicable prospectus supplement, our Warrants, Units, Subscription Receipts, Debt Securities and Preferred Shares will not be listed on any securities or stock exchange or on any automated dealer quotation system. **There is currently no market through which our securities, other than Common Shares, may be sold and purchasers may not be able to resell such securities purchased under this prospectus. This may**

affect the pricing of our securities, other than Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. See "Risk Factors".

Our head office is located at Suite 2820 – 200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4 and our registered office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1L3.

The specific terms of securities offered pursuant to this prospectus will be set forth in a prospectus supplement including, where applicable: (i) in the case of Common Shares, the number of Common Shares offered and the offering price; (ii) in the case of Warrants, the number of Common Shares issuable upon exercise thereof, the exercise price and exercise period and the terms of any provisions allowing or providing for adjustments in the exercise price or the number of Common Shares issuable upon exercise thereof; (iii) in the case of Units, the number of Units offered, the offering price and the number of other securities included in each Unit; (iv) in the case of Subscription Receipts, the number of Subscription Receipts offered, the offering price, the securities issuable in exchange for the Subscription Receipts and any other specific terms; (v) in the case of Debt Securities, the aggregate principal amount and offering price, the maturity date, the interest provisions, events of default, redemption or retraction provisions, conversion or exchange rights, whether the debt is senior or subordinated and any other specific terms; and (vi) in the case of Preferred Shares, the number of Preferred Shares offered and the offering price. A prospectus supplement may include specific variable terms pertaining to securities that are not within the alternatives and parameters set forth in this prospectus.

All information permitted under securities legislation to be omitted from this prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this prospectus, except in cases where an exemption from such delivery requirements has been obtained. Each prospectus supplement will be incorporated by reference into this prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the securities to which the prospectus supplement pertains. You should read this prospectus and any applicable prospectus supplement carefully before you invest in any securities issued pursuant to this prospectus. This prospectus may not be used to sell any securities unless accompanied by a prospectus supplement. In connection with any underwritten offering of securities, the underwriters, dealers or placement agents may over-allot or effect transactions which stabilize or maintain the market price of the securities offered at a higher level than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. A purchaser who acquires securities forming part of the underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. See "*Plan of Distribution*".

The Company or any selling securityholder may offer and sell the securities issued under this prospectus to or through underwriters, dealers, placement agents or other intermediaries or directly to one or more purchasers, subject in each case to obtaining any required exemptions under applicable securities laws. The distribution of securities under this prospectus may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed from time to time, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices, or at other negotiated prices, in each case as set forth in the applicable prospectus supplement. The prospectus supplement relating to a particular offering of securities will identify each selling securityholder, underwriter, dealer or agent engaged in connection with an offering and sale of securities pursuant to this prospectus and will set forth the terms of the offering of such securities, including the proceeds to the Company and, to the extent applicable, any fees, discounts, concessions or other compensation payable to the underwriters, dealers or agents, the method of distribution, the initial issue price (in the event that the offering is a fixed price distribution) and any other material terms of the plan of distribution. See "*Plan of Distribution*".

Investing in Aequus' securities is speculative and involves a high degree of risk. You should carefully read the "Risk Factors" in this prospectus (including any prospectus supplement) and in the documents incorporated by reference herein as well as the information under the heading "Forward-Looking Statements". Potential investors are advised to consult their own legal counsel and other professional advisors in order to assess income tax, legal and other aspects of an investment in Aequus.

Aequus is a specialty pharmaceutical company focused on enhancing delivery methods for approved drugs and select consumer products that are limited by non-compliance, high frequency dosing, first-pass metabolism side effects, painful injections, or where the commercial presentation can be improved by making a long-acting alternative available. Due to the nature of the Company's business, an investment in any securities of the Company is speculative and involves a high degree of risk that should be considered by potential investors. An investment in securities of the Company should only be undertaken by those persons who can afford the total loss of their investment.

Investors should rely only on the information contained in or incorporated by reference into this prospectus and any applicable prospectus supplement. The Company has not authorized anyone to provide investors with different information. Information contained on the Company's website shall not be deemed to be a part of this prospectus (including any applicable prospectus supplement) or incorporated by reference and should not be relied upon by prospective investors for the purpose of determining whether to invest in the securities. The Company will not make an offer of these securities in any jurisdiction where the offer or sale is not permitted. Investors should not assume that the information contained in this prospectus is accurate as of any date other than the date on the face page of this prospectus or any applicable prospectus supplement.

No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus or any applicable prospectus supplement and are not entitled to rely on only certain parts of the information contained in this prospectus or any applicable prospectus supplement to the exclusion of the remainder. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell or seeking an offer to buy the securities offered pursuant to this prospectus in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus or any applicable prospectus supplement is accurate only as of the date on the front of those documents and that information contained in any document incorporated by reference is accurate only as of the date of that document, regardless of the time of delivery of this prospectus or any applicable prospectus supplement or of any sale of our securities pursuant thereto. Our business, financial condition, results of operations and prospects may have changed since those dates.

MEANING OF CERTAIN REFERENCES

In this prospectus and any applicable prospectus supplement, unless the context otherwise indicates, the terms “Aequus”, “Company”, “we”, “us” and “our” mean Aequus Pharmaceuticals Inc.

This prospectus and any applicable prospectus supplement include references to trade names and trade-marks of other companies, which trade names and trade-marks are the property of their respective owners.

This prospectus and any applicable prospectus supplement include references to trade names and trade-marks of other companies, which trade names and trade-marks are the property of their respective owners.

Statistical information and other data relating to the pharmaceutical and biotechnology industry included in this prospectus and any applicable prospectus supplement are derived from industry reports published by industry analysts, industry associations and/or independent consulting and data compilation organizations. Market data and industry forecasts used throughout this prospectus and any applicable prospectus supplement were obtained from various publicly available sources. Although we believe that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

For an explanation of certain technical terms and abbreviations used in this prospectus, see the “*Glossary*”, section of this prospectus.

In this prospectus and any applicable prospectus supplement, unless otherwise noted, all dollar amounts are in Canadian dollars.

FORWARD-LOOKING AND OTHER STATEMENTS

This prospectus (and any prospectus supplement), including the documents incorporated by reference herein, contains forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, including, without limitation, statements containing the words “believe”, “may”, “plan”, “will”, “estimate”, “continue”, “anticipate”, “intend”, “expect”, “predict”, “project”, “potential”, “continue”, “ongoing” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this

prospectus and the documents incorporated by reference herein include, but are not limited to, statements relating to:

- the intention to enrol patients in a non-IND Phase 1a Proof of Concept clinical trial for our transdermal aripiprazole patch;
- the initiation, timing, cost, progress and success of our research and development ("**R&D**") programs, pre-clinical studies and clinical trials;
- 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 obtain funding for our operations, including research funding;
- the Company's 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 the Company will receive, and the timing and costs of obtaining, regulatory approvals in the U.S., Canada, the European Union and other jurisdictions;
- the therapeutic benefits, effectiveness and safety of our product candidates;
- the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;
- the rate and degree of market acceptance and clinical utility of our future products, if any;
- 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 required to grow our business;
- the compensation that is expected to be paid to employees of the Company;
- our future financial performance and projected expenditures;
- developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing.

Such statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Aequus as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. 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 prospectus, 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; (iv) 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; and (x) the Company's ability to protect patents and proprietary rights.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined herein under the heading "*Risk Factors*". 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 prospectus or, in the case of documents incorporated by reference in this prospectus, as of the date of such documents, 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.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in each of the provinces of British Columbia, Alberta, Manitoba, Saskatchewan and Ontario. Copies of the documents incorporated by reference in this prospectus and not delivered with this prospectus may be obtained on request without charge from the Secretary of Aequus at Suite 2820 - 200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4, telephone: (604) 336-7906 or by accessing the disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

The following documents, filed with the securities commissions or similar regulatory authorities in each of the provinces of British Columbia, Alberta, Manitoba, Saskatchewan and Ontario, are specifically incorporated by reference, and form an integral part of, this prospectus:

- the following sections of the long-form prospectus of the Company dated February 18, 2015 (the "**Long Form Prospectus**"): "Business of the Company"; "interest of Management and Others in Material Transactions"' and "Experts";

- the material change report dated March 19, 2015;

- the material change report dated May 8, 2015;

- the audited annual financial statements of Aequus for the fiscal year ended December 31, 2014, together with the notes thereto and the auditor's report thereon;

- the management's discussion and analysis of financial condition and results of operations of Aequus for the year ended December 31, 2014;

- the unaudited condensed interim financial statements of Aequus for the three months ended March 31, 2015; and

- the management's discussion and analysis of financial condition and results of operations of Aequus for the three months ended March 31, 2015.

Any documents of the type described in Section 11.1 of Form 44-101F1 *Short Form Prospectus Distributions* filed by the Company with a securities commission or similar regulatory authority in Canada on or after the date of this prospectus and prior to the expiry of this prospectus, or the completion of the issuance of securities pursuant hereto, will be deemed to be incorporated by reference into this prospectus.

A prospectus supplement containing the specific terms of any offering of our securities will be delivered to purchasers of our securities together with this prospectus and will be deemed to be incorporated by reference in this prospectus as of the date of the prospectus supplement and only for the purposes of the offering of our securities to which that prospectus supplement pertains.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Upon our filing new annual financial statements and management's discussion and analysis with applicable securities regulatory authorities during the currency of this prospectus, the previous annual financial statements and management's discussion and analysis and all quarterly financial statements, supplemental information, material change reports and information circulars filed prior to the commencement of our financial year in which the new annual financial statements are filed will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of our securities under this prospectus. Upon our filing new condensed interim financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the duration of this prospectus, all condensed interim financial statements and the accompanying management's discussion and analysis filed prior to the new condensed interim financial statements shall be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of securities under this prospectus.

GLOSSARY

As used in this prospectus, the following terms have the respective meaning as specified below:

"**ACA**" means the U.S. *Affordable Care Act*;

"**Agents**" means Cormark Securities Inc. and Clarus Securities Inc.;

"**Agents' Special Warrants**" means 425,521 non-transferrable agents' special warrants granted to the Agents, certain registrants comprising the selling group and a finder, entitling the holder thereof to acquire, without payment of any additional consideration, upon exercise, one Agents' Warrant for each Agents' Special Warrant held;

"**Agents' Warrants**" means non-transferrable agents' warrants, each one of which is exercisable to acquire one Common Share and one-half of one Agents' Underlying Warrant;

"**Agents' Underlying Warrants**" means Common Share purchase warrants of the Company distributed upon the exercise or deemed exercise of the Agents' Warrants, each one of which is exercisable to acquire one Common Share;

"**Amending Agreements**" has the meaning given to it under the heading "*Business of the Company – History of the Company*" in the Long Form Prospectus;

"**Board**" means the board of directors of the Company as may be constituted from time to time;

"**CEO**" means chief executive officer;

"**CFO**" means chief financial officer;

"**cGCP**" means current good clinical practices;

"**cGMP**" means current good manufacturing practice;

"**Class A Preferred Shares**" means the Class A preferred shares of the Company;

"**CNS**" means central nervous system;

"**Common Shares**" means the common shares in the capital of the Company;

"**Company**" or "**Aequus**" means Aequus Pharmaceuticals Inc.;

"**Corium**" means Corium International, Inc.;

"**CRO**" means contract research organization;

"**CTA**" means clinical trial application;

"**D2**" means dopamine 2;

"**DC&P**" has the meaning given to it under the heading "*Risk Factors – Risks Related to an Offering and Ownership of Aequus' Common Shares*";

"**December 2014 Financing**" means the Company's issuance on December 17, 2014 of 605,000 units, each unit consisting of one Common Share and one-half of one December 2014 Warrant, for $0.55 per unit for aggregate gross proceeds of $332,750;

"**December 2014 Warrants**" means (i) the 302,500 Warrants of the Company issued on December 17, 2014 in connection with the December 2014 Financing and (ii) the aggregate 207,890 Warrants issued on December 17, 2014 and December 23, 2014 pursuant to the Amending Agreements;

"**Development Agreement**" means the development agreement between the Company and Corium dated May 23, 2014, as amended November 11, 2014, January 16, 2015 and February 16, 2015;

"**EMA**" means European Medicines Agency;

"**EPS**" means extrapyramidal symptom;

"**FDA**" means the U.S. Food and Drug Administration;

"**FDCA**" means the U.S. *Federal Food, Drug and Cosmetic Act*;

"**Guerrero**" means Guerrero Exploration Inc.

"**Hatch-Waxman Act**" means the U.S. *Drug Price Competition and Patent Term Restoration Act of 1984*;

"**HIPAA**" means the U.S. *Health Insurance Portability and Accountability Act of 1996*;

"**ICFR**" has the meaning given to it under the heading "*Risk Factors – Risks Related to an Offering and Ownership of Aequus' Common Shares*";

"**IND**" means an investigational new drug;

"**IRB**" means institutional review board;

"**July 2014 Financing**" means the Company's issuance on July 11, 2014 of 415,780 Common Shares for $0.55 per Common Share for aggregate gross proceeds of $228,680;

"**Leahy-Smith Act**" means the U.S. *Leahy-Smith America Invents Act*;

"**Long Form Prospectus**" means the long form prospectus of the Company dated February 18, 2015;

"**Milestones**" has the meaning given to such term under the Services Agreement.

"**Multi-product Collaboration Agreement**" or "**Collaboration Agreement**" means the multi-product collaboration agreement between the Company and Corium dated April 28, 2015;

"**NDA**" means new drug application;

"**NDS**" means new drug submission;

"**NI 52-109**" means Canadian National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*;

"**Northview**" means Northview Ventures and Associates General Partnership;

"**Options**" means options to acquire Common Shares;

"**POC**" means proof of concept;

"**REMS**" means a risk evaluation and mitigation strategy;

"**R&D**" means research and development;

"**Special Warrants**" means 7,618,780 special warrants of the Company issued on November 20, 2014 at a price of $0.55 per Special Warrant;

"**Special Warrant Financing**" means the offering of 7,618,780 Special Warrants completed on November 20, 2014;

"**Services Agreement**" means the master services agreement effective September 1, 2014 and amended on March 11, 2015 among the Company, Northview, Doug Janzen and Anne Stevens;

"**TPD**" means the Therapeutic Products Directorate of Health Canada;

"**TRPL**" means Transdermal Research Pharm Laboratories LLC;

"**TSX-V**" means the TSX Venture Exchange;

"**Underlying Warrants**" means Warrants distributed upon the exercise of the Special Warrants;

"**Unit**" has the meaning ascribed to it on the first page of this prospectus;

"**USPTO**" means the U.S. Patent and Trademark Office;

"**U.S.**" means the United States of America, its territories and possessions, any State of the United Sates and the District of Columbia;

"**Warrants**" has the meaning ascribed to it on the first page of this prospectus.

THE COMPANY

The following description of the Company is derived from selected information about the Company contained in the documents incorporated by reference and does not contain all of the information about the Company and its business that should be considered before investing in the Company's securities. This prospectus and the documents incorporated by reference should be reviewed and considered by prospective purchasers in connection with their investment in the Company's securities.

Name, Address and Incorporation

The Company was incorporated under the name "Aequus Pharmaceuticals Inc." pursuant to the *Business Corporations Act* (British Columbia) on January 3, 2013. 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 2820 – 200 Granville Street, Vancouver, British Columbia, Canada V6C 1S4. The Company has no subsidiaries.

BUSINESS OF THE COMPANY

Overview of the Company

Aequus is a specialty pharmaceutical company primarily focused on the development and commercialization of long-acting alternatives to currently approved drugs that are limited by non-compliance, high-frequency dosing, first-pass metabolism side effects or painful injections. The Company's initial product candidates are focused around Central Nervous System ("**CNS**") disorders, where non-compliance with use and dosage instructions has particularly severe consequences to patients. Aequus' lead product candidate, AQS-1301, is expected to be a once-weekly transdermal formulation of aripiprazole that is currently in pre-clinical development. The oral, once-daily formulation of aripiprazole is currently marketed under the trade name Abilify with worldwide annual sales in 2013 exceeding USD$8 billion. The basic U.S. composition of matter patent covering aripiprazole and the term of the market exclusivity in the U.S. expired in April 2015 (including the granted patent term extension and six month pediatric extension), and the first oral generic Abilify was launched by Teva Pharmaceutical Industries Ltd. on April 28, 2015. European market exclusivity expired in June 2014 and is expected to expire in Canada in 2018, according to Health Canada. Abilify is a market leader in the U.S., and Aequus believes it has limitations due to its daily dosing regimen which is associated with a high rate of non-compliance and relapse. Aequus' proposed transdermal, once-weekly aripiprazole patch is expected to increase patient convenience and compliance in a non-invasive fashion.

The active ingredient in Aequus' lead product candidate, AQS-1301, is aripiprazole, a unique atypical antipsychotic insofar as rather than being a D2 receptor blocking agent, it is a partial agonist or stimulant at D2 receptors. Aripiprazole is also a partial agonist or stimulant at 5-HT 1a serotonin receptors, as well as blocking or antagonizing the 5-HT 2a receptor. Based on its unique mechanism of action compared to other antipsychotics, namely partial D2 receptor stimulation, it has been found to be sparing in terms of its propensity to cause parkinsonism. Studies have reported rates of antipsychotic-induced parkinsonism, an extrapyramidal symptom ("**EPS**"), to be lower in those treated with aripiprazole then those treated with a placebo. Nonetheless, all atypical antipsychotics can cause any given side effect with varying rates and severity.

Aripiprazole was granted a notice of compliance from the FDA in 2002 based on the efficacy and safety data derived from its pre-marketing or "registration trials" and has since established a history of clinical efficacy and safety in its marketed oral and depot formulations.

AQS-1301 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, AQS-1301 is intended to promote enhanced patient compliance.

Aequus is conducting pre-clinical studies for a once-weekly, transdermal aripiprazole patch with its development and manufacturing partner, Corium, and anticipates enrolling its first patient in a non-IND Phase 1a Proof of Concept ("**POC**") clinical trial in the fourth quarter of 2015. In accordance with Aequus' Development Agreement with Corium (See "*Business of the Company – Strategic Agreements – Corium International, Inc.*" in the Long Form Prospectus), Corium has an option to co-fund clinical development under the terms of the Multi-product Collaboration Agreement. Pursuant to the Multi-product Collaboration Agreement, Aequus anticipates Corium's co-funding to be up to 50% of the clinical program following review of the Phase 1a POC clinical trial results and in return, Corium would participate in a higher level of the economics of the sales or licensing revenues accordingly.

Aequus anticipates filing a Section 505(b)(2) New Drug Application ("**NDA**") with the FDA, for approval of AQS-1301, which is required before marketing a new drug in the U.S. A Section 505(b)(2) NDA relies in part on clinical trials that Aequus needs to conduct, and in part on third-party findings of safety and efficacy for the active ingredients for which Aequus has not obtained a right of reference or which have been established in the scientific literature in the public domain.

Aequus expects to commercialize AQS-1301 in the U.S. and the rest of the world, if approved by the FDA and other relative regulatory bodies for commercial sales, via a third party commercial partner or partners. However, Aequus may retain commercialization rights in certain territories, such as Canada, where it may commercialize the product through a direct specialized sales force should AQS-1301 be approved for sale in those jurisdictions.

Aequus, along with its development and manufacturing partner Corium, is currently developing an optimized formulation that we expect will allow us to reliably manufacture a long-acting transdermal aripiprazole patch. Aequus believes that the technical challenges and know-how involved in manufacturing, including proprietary chemistry, present significant barriers to entry for other specialty pharmaceutical companies who might potentially look to replicate a once-weekly transdermal formulation of aripiprazole.

Aequus believes its intellectual property is an additional barrier to potential competitors. Aequus has a provisional patent around the transdermal formulation of aripiprazole, and Aequus continues to prosecute additional patent applications related to the product, both in the U.S. and internationally (See "*Business of the Company - Patents and Proprietary Protection"* in the Long Form Prospectus). The intellectual property related to its chemical formulation of AQS-1301 is wholly-owned by Aequus and there are no payments or royalties owed to third parties in connection with this intellectual property. In the event that Corium's proprietary and patent-protected transdermal delivery system technology is incorporated into the product, the Multi-product Collaboration Agreement provides for Corium to grant Aequus an exclusive, worldwide, license to such technology solely to develop, use, have used, distribute for sale, promote, market, sell, have sold, offer for sale, import and export for the specific product.

In addition to AQS-1301, Aequus is developing a pipeline of other CNS product candidates that specifically benefit from the various attributes that transdermal and other long-acting delivery systems can confer.

Employees

As of the date of this prospectus, Aequus has two employees. The Company mainly uses consultants and contractors to conduct its operations.

Facilities

The Company operates from its head office located in Vancouver, Canada. Operations related to the AQS-1301 program are primarily outsourced to contractors including Corium, based in Menlo Park, California and TRPL, based in Long Island City, New York.

Recent Updates

On February 19, 2015, the Company became a reporting issuer in Alberta, British Columbia, Manitoba and Ontario. Previously, on November 20, 2014, the Company issued a total of 7,618,780 Special Warrants and 425,521 Agents' Special Warrants. Pursuant to the terms of the Special Warrants and Agents' Special Warrants, as a result of the Company receiving a receipt for its Long Form Prospectus and becoming a reporting issuer, each Special Warrant and Agents' Special Warrant were deemed to be exercised for no additional consideration. Each Special Warrant was exercised into one Common Share and one-half of one Underlying Warrant.

On March 17, 2015, the Company's Common Shares began trading on the TSX-V under the symbol "AQS".

On April 28, 2015, the Company and Corium, a commercial-stage biopharmaceutical company focused on the development, manufacture and commercialization of speciality transdermal products, entered into the Collaboration Agreement under which the parties may co-fund new transdermal products with an initial focus on neurological disorders. Under the terms of the Collaboration Agreement, for each product selected for development the parties will assign an allocation of responsibilities, costs, rights and product revenues. Additional product development programs under the Collaboration Agreement will primarily be focused on neurological disorders in which current treatments are limited by high-frequency dosing, side effects or painful injections, all of which potentially increase the risk of non-compliance.

The term of the Collaboration Agreement is the later of five years and when all the programs initiated under the Collaboration Agreement have been terminated. The Collaboration Agreement may be terminated by either party for certain material breaches by the other party. During the term of the Program, Corium and the Company each agree to work exclusively with the other Party on the development of any product incorporating aripiprazole for transdermal delivery anywhere in the world. In addition, the Company has agreed to indemnify Corium and its affiliates, and each of their respective employees, officers, and directors and agents from all liability, loss, damage, expense and cost resulting from certain third party claims.

DIVIDENDS

The Company has not previously paid any dividends on its Common Shares. The Board will review its dividend practice from time to time, having regard to the Company's financial condition, financial requirements and other factors that it considers relevant.

USE OF PROCEEDS

Unless we otherwise indicate in a prospectus supplement, we currently intend to use the net proceeds from the sale of our securities for general corporate purposes including supporting and expediting our stated business objectives of developing and advancing additional pipeline programs which would

provide alternate forms of delivery for currently approved drugs, and would be expected to relieve a current patient need. The net proceed from the sale of our securities will allow Aequus to continue the development of AQS-1301 through to completion of its Phase 1 clinical studies and allow for business development activities to engage with a third party partner that will further advance AQS-1301 through the Phase 2 Registration study by the year end of 2016. Aequus will also advance AQS-1302 formulation development and preclinical studies in preparation for clinical development.

The Company's estimated working capital as at the most recent month end of May, 2015 is **$**1.4 million. The Company intends to allocate its current cash as follows:

- Approximately $0.7 million to conduct additional preclinical studies and early clinical development in preparation for a potential Phase 2 Registration study for AQS-1301, and
- Approximately $0.3 million to advance AQS-1302, through preclinical development in preparation for potential clinical development.

By the nature of its business as a pre-clinical pharmaceutical company, the Company had negative operating cash flow for its most recent interim financial period and financial year. To the extent the Company has negative cash flows in future periods, the Company may use a portion of its general working capital to fund such negative cash flow. See "*Risk Factors*".

More detailed information regarding the use of proceeds from the sale of securities, including any determinable milestones at the applicable time, will be described in any applicable prospectus supplement. We may also, from time to time, issue securities otherwise than pursuant to a prospectus supplement to this prospectus.

DESCRIPTION OF SHARE CAPITAL

As of the date of this prospectus, the authorized capital of the Company consisted of an unlimited number of Common Shares without par value and an unlimited number of Class A Preferred shares (the "**Class A Preferred Shares**") without par value.

Common Shares

Each Common Share entitles the holder thereof to one vote at any meeting of our shareholders. The holders of Common Shares are entitled to receive if, as and when declared by the Board, dividends in such amounts as shall be determined by the Board. After the holders of Class A Preferred Shares have first received from the property and assets of the Company the amount they are entitled to, the holders of Common Shares have the right to receive the Company's remaining property and assets in the event of a liquidation, dissolution or winding-up, whether voluntary or involuntary.

Class A Preferred Shares

Each Class A Preferred Share entitles the holder thereof to one vote at any meeting of Aequus shareholders. The Class A Preferred Shares are entitled to priority over the Common Shares with respect to the distribution of assets of the Company in the event of any liquidation, dissolution or winding up of the Company's affairs, whether voluntary or involuntary.

CONSOLIDATED CAPITALIZATION

Other than the issuance of (i) 7,618,780 Special Warrants and 425,521 Agents' Special Warrants in the Special Warrant Financing, (ii) 605,000 Common Shares and 302,500 December 2014 Warrants in the December 2014 Financing, (iii) 207,890 December 2014 Warrants pursuant to the Amending

Agreements, (iv) 7,618,780 Common Shares and 3,809,388 Underlying Warrants upon the exercise of the Special Warrants, and (v) the issuance of 425,521 Agents' Warrants upon the exercise of the Agents' Special Warrants, there have been no material changes in the share and loan capital of the Company, on a consolidated basis, since the date of the most recently filed interim financial reports of the Company as at and for the interim period ended March 31, 2015.

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the names and municipalities of residence of our directors and executive officers as well as their positions with the Company and principal occupations for the previous five years. All officers and employees are required to sign standard confidentiality and non-disclosure agreements with the Company. The size of the Board is set at seven.

Name, Province of Residence and Position with Aequus	**Position and Principal Occupation in the Past Five Years**[1]
Douglas Glen Janzen British Columbia, Canada Director, President, Chairman and Chief Executive Officer	Director and President, Aequus Pharmaceuticals Inc. (January 3, 2013 – Present); Chief Executive Officer and Chairman, Aequus Pharmaceuticals Inc. (December 10, 2014 – Present); President, Northview Venture Inc. (November 1, 2012 - Present), Managing Director, Northview Venture and Associates General Partnership (April 1, 2014 to Present); Chief Executive Officer, President and Director, Cardiome Pharma Corp. (2003-2012)
Anne Michelle Stevens British Columbia, Canada Director, Vice President, Corporate Development, and Corporate Secretary	Corporate Secretary, Aequus Pharmaceuticals Inc. (December 10, 2014 – Present); Vice President, Corporate Development and Director, Aequus Pharmaceuticals Inc. (October 20, 2014 – Present); Commercial Lead, New Project Development, Aequus Pharmaceuticals Inc. (January 1, 2013 – December 10, 2014); President, Crecera Consulting Inc. (August 1, 2012-Present); Senior Partner, Northview Venture and Associates General Partnership (April 1, 2014 – Present); Corporate and External Affairs Analyst, Cardiome Pharma Corp. (2010-2012)
Christina Yip British Columbia, Canada Acting Chief Financial Officer	Acting Chief Financial Officer, Aequus Pharmaceuticals Inc. (December 10, 2014 – Present); Chief Financial Officer, Pacgen Life Science Corporation (April 2006 – Present); Chief Financial Officer, Channel Resources Ltd. (2011 – 2013); Independent Management Consultant (2008 – Present)
Dr. Don McAfee Point Roberts, Washington, USA Acting Chief Scientific Officer	Acting Chief Scientific Officer, Aequus Pharmaceuticals Inc. (October 20, 2014 – Present); Independent Scientific Consultant (2012 – Present); Chief Scientific Officer, Cardiome Pharma Corp. (2004 – 2012)
Fotios Plakogiannis NY, USA Director	Chairman of the Board, Aequus Pharmaceuticals Inc. (February 25, 2013 – December 10, 2014); Director, Aequus Pharmaceuticals Inc. (January 3, 2014 – Present); Professor of Pharmacy, Long Island University (1967 – 2011); President, Transdermal Pharma Research Laboratories LLC (2013 – Present)
Rodoula Plakogiannis NY, USA Director	Director, Aequus Pharmaceuticals Inc. (October 20, 2014 – Present); Associated Professor of Pharmacy Practice, Long Island University (2002 – Present); Director, Transdermal Pharma Research Laboratories LLC (2013 – Present)
Chris Clark[2][3] British Columbia, Canada Director	Director, Aequus Pharmaceuticals Inc. (December 18, 2014 **–** Present**)**; Chief Financial Officer, Neovasc Inc. (April 2007 – Present)
Jason Flowerday[2] Ontario, Canada Director	Director, Aequus Pharmaceuticals Inc. (January 29, 2015 **–** Present**)**; Vice President Commercial Operations, Knight Therapeutics (September 2014 – Present); Owner and Chief Commercial Officer, Orphan Canada (January 2010 – August 2014); Owner and Vice President, RxMedia Healthcare Communications (September 2006 – March 2014)

Name, Province of Residence and Position with Aequus	Position and Principal Occupation in the Past Five Years[1]
Hamed Shahbazi[2] British Columbia, Canada Director	Chief Executive Officer, TIO Networks Corp. (February 10, 2000 to Present); President, TIO Networks Corp (January 31, 2000 to Present); Director (August 1997 – Present)

Notes:
(1) All of the directors' appointments expire at the next annual meeting of the shareholders of the Company.
(2) Member of the Audit Committee.
(3) Chair of the Audit Committee.

Share Ownership by Directors and Officers

As at the date of this Prospectus, as a group, the Company's directors and executive officers beneficially owned, directly or indirectly, or exercised control over 11,589,596 Common Shares.

Corporate Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No director or executive officer of Aequus is, as at the date of this Prospectus, or was within 10 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including Aequus), that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days:

(a) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of Aequus, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of Aequus:

(a) is, as at the date of the Prospectus, or has been within the 10 years before the date of the Prospectus, a director or executive officer of any company (including Aequus) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) has, within the 10 years before the date of the Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of Aequus, or a shareholder holding a sufficient number of securities of Aequus to affect materially the control of Aequus, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Other than as disclosed herein, none of our directors, officers or principal shareholders and no associates or affiliates of any of them, have or have had any material interest in any transaction which materially affects us. There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our directors are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. See "*Risk Factors – The directors and officers of Aequus may be subject to conflicts of interest*".

Conflicts, if any, will be subject to the procedures and remedies available under the *Business Corporations Act* (British Columbia). The *Business Corporations Act* (British Columbia) generally provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the *Business Corporations Act* (British Columbia).

PRIOR SALES

This table sets out particulars of the Common Shares and securities exercisable for or exchangeable into Common Shares issued within the 12 months prior to the date of this prospectus.

Date of Issuance/Grant	Type of Security	Number of Securities Issued	Issue/Exercise Price
March 20, 2014	Common Shares[(1)]	10,000	$0.55
April 8, 2014	Common Shares[(1)]	140,000	$0.55
April 9, 2014	Common Shares[(1)]	225,000	$0.55
April 23, 2014	Common Shares[(1)]	211,961	$0.55
July 11, 2014	Common Shares	415,780	$0.55
November 20, 2014	Special Warrants[(2)]	7,618,780	$0.55
November 20, 2014	Agents' Special Warrants[(3)]	425,521	$0.00
December 1, 2014	Options	203,000	$0.55
December 18, 2014	Options	350,000	$0.55
December 17, 2014	Common Shares[(4)]	605,000	$0.55
December 17, 2014	December 2014 Warrants[(5)]	302,500	$0.75
December 17, 2014	December 2014 Warrants[(6)]	185,163	$0.75
December 23, 2014	December 2014 Warrants[(6)]	22,727	$0.75
February 25, 2015	Common Shares[(7)]	7,618,780	$0.00
February 25, 2015	Underlying Warrants[(7)]	3,809,388	$0.75

Date of Issuance/Grant	Type of Security	Number of Securities Issued	Issue/Exercise Price
February 25, 2015	Agents' Warrants[8]	425,521	$0.55
March 16, 2015	Options	750,000	$0.55
May 8, 2015	Common Shares[9]	100,000	$0.35

Notes:
(1) Issued in connection with exercises of common share purchase warrants.
(2) The Company issued an aggregate of 7,618,780 Special Warrants in connection with the Special Warrant Financing. See "*Plan of Distribution*" in the Long Form Prospectus.
(3) Issued to the Agents, certain registrants comprising the selling group and a finder in connection with the Special Warrant Financing. The Agents' Warrants issued on exercise of the Agents' Special Warrants have an exercise price of $0.55. See "*Plan of Distribution*" in the Long Form Prospectus.
(4) Issued along with December 2014 Warrants as part of units consisting of one Common Share and one half of one December 2014 Warrant for an issue price of $0.55 per unit.
(5) Issued along with Common Shares as part of units consisting of one Common Share and one half of one December 2014 Warrant for an issue price of $0.55 per unit.
(6) Issued to investors in the July 2014 Financing pursuant to the Amending Agreements.
(7) Each Special Warrant was exercised into one Common Share and one half of one Underlying Warrant on February 25, 2015.
(8) Each Special Agents' Warrant was exercised into one Agents' Warrant on February 25, 2015.
(9) Issued in connection with the exercise of Options.

MARKET FOR SECURITIES

Our Common Shares are listed on the TSX-V (trading symbol: AQS). The following table sets for the calendar periods indicated, the high and low trading prices and composite volume of trading of the Common Shares as reported on the TSX-V prior to the filing of this prospectus.

Month	Monthly High Price ($)	Monthly Low Price ($)	Monthly Volume
March 2015[1]	0.80	0.55	2,035,062
April 2015	0.71	0.50	878,669
May 2015	0.68	0.57	654,026
June 2015[2]	0.65	0.47	1,029,912

Notes:

(1) The Company's Common Shares were listed for trading on the TSX-V on March 17, 2015. From March 17, 2015 to March 31, 2015.
(2) From June 1, 2015 to June 30, 2015, the last trading prior to the date of this prospectus.

DESCRIPTION OF SECURITIES BEING QUALIFIED FOR DISTRIBUTION

Common Shares

We are authorized to issue an unlimited number of Common Shares. As of June 30, 2015, there were 33,694,127 Common Shares issued and outstanding, 3,247,337 Common Shares issuable upon exercise of outstanding Options, 4,319,778 Common Shares issuable upon exercise of Warrants and 425,521 Common Shares issuable upon exercise of Agents' Warrants.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares are entitled to receive on a pro rata basis such dividends on the Common Shares, if any, as and when declared by the Board at its discretion, from funds legally available therefor, and, upon the liquidation, dissolution or winding up of the Company, are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with, the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Warrants

This section describes the general terms that will apply to any Warrants issued pursuant to this prospectus. We may issue Warrants independently or together with other securities, and Warrants sold with other securities may be attached to or separate from such other securities. Warrants may be issued under one or more warrant indentures or warrant agency agreements between the Company and one or more banks or trust companies acting as warrant agent.

The Company will not offer Warrants pursuant to this prospectus unless a prospectus supplement containing the specific terms of the Warrants so offered is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Warrants will be offered for sale. The prospectus supplement, in respect of any Warrants issued under this prospectus, will include the following, where applicable:

- the aggregate number of Warrants being offered;
- the price at which the Warrants will be offered;
- the date or dates on which the Warrants may be exercised;
- the designation, number and terms of the Debt Securities, Preferred Shares, Common Shares or other securities purchasable upon exercise of the Warrants;
- whether the Warrants will be subject to redemption and, if so, the terms of such redemption provisions;
- the terms of any provisions allowing or providing for adjustments in (i) the number and/or class of securities issuable upon exercise of the Warrants, (ii) the exercise price of the Warrants and (iii) the term of the Warrants;
- whether the Company will issue the Warrants as global securities and, if so, the identity of the depositary of the global securities;
- whether the Warrants will be listed on any exchange;
- material Canadian federal income tax consequences of purchasing the Warrants; and
- any other material terms or conditions of the Warrants.

The statements made in this prospectus relating to any Warrants to be issued under this prospectus, or the warrant indenture or warrant agreement, if applicable, are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable Warrants and any applicable warrant indenture or warrant agreement. Prospective investors should refer to the terms of specific Warrants being offered, including any applicable warrant indenture or warrant agreement. If applicable, the Company will file a copy of the applicable warrant indenture or warrant agreement relating to an offering of Warrants with the applicable securities regulatory authorities in Canada after the Company has entered into such agreement.

Original purchasers of Warrants (if offered separately) and Subscription Receipts will have a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Warrant and Subscription Receipt, as the case may be.

The contractual right of rescission will entitle such original purchasers to receive, in addition to the amount paid on original purchase of the Warrant or Subscription Receipt, as the case may be, the amount paid upon conversion, exchange or exercises upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable securities under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of purchase of the convertible, exchangeable or exercisable security under this Prospectus. This contractual rights of rescission will be consistent with the statutory right of rescission described under section 131 of the *Securities Act* (British Columbia), and is in addition to any other right or remedy available to original purchasers under section 131 of the *Securities Act* (British Columbia) or otherwise at law.

Original purchasers are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult with a legal advisor.

Units

The Company may issue Units comprised of other securities described in this prospectus. Each Unit will be issued so that the purchaser of a Unit will have the rights and obligations of a holder of each included security. The unit agreement, if any, pursuant to which Units are issued may provide that the securities included in a Unit may not be held or transferred separately, at any time or at any time before a specified date.

The Company will not offer Units pursuant to this prospectus unless a prospectus supplement containing the specific terms of the Units so offered is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Units will be offered for sale. The prospectus supplement in respect of any Units issued under this prospectus will include the following, where applicable:

- the aggregate number of Units being offered;
- the price at which the Units will be offered;
- the number of securities included in each Unit;
- the terms of the securities included in the Units;
- any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the securities comprising the Units;
- whether and under what circumstances the securities included in the Units may be held or transferred separately;
- whether the Units will be issued in fully registered or global form;
- material Canadian federal income tax consequences of purchasing the Units; and
- any other material terms or conditions of the Units.

The statements made in this prospectus relating to any Units to be issued under this prospectus, or the applicable unit agreement, are summaries of certain anticipated provisions thereof and are subject to, and

are qualified in their entirety by reference to, all of the provisions of the applicable Units and the applicable unit agreement. Prospective investors should refer to the terms of specific Units being offered, including the applicable unit agreement. The Company will file a copy of the applicable unit agreement relating to an offering of Units with the applicable securities regulatory authorities in Canada after the Company has entered into such agreement.

Subscription Receipts

This section describes the general terms that will apply to any Subscription Receipts issued pursuant to this prospectus. Subscription Receipts issued under this prospectus will generally be exchangeable for Common Shares, Warrants, Preferred Shares or Units, without payment of any additional consideration, upon the occurrence of certain events or the satisfaction of certain conditions. The Company may issue Subscription Receipts independently or together with other securities, and Subscription Receipts sold with other securities may be attached to or separate from such other securities. Subscription Receipts will generally be issued under a subscription receipt agreement between the Company and a trust company acting as escrow agent.

The Company will not offer Subscription Receipts pursuant to this prospectus unless a prospectus supplement containing the specific terms of the Subscription Receipts so offered is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Subscription Receipts will be offered for sale. The prospectus supplement in respect of any Subscription Receipts issued under this prospectus will include the following, where applicable:

- the aggregate number of Subscription Receipts being offered;
- the price at which the Subscription Receipts will be offered;
- the number and class of securities issuable in exchange for the Subscription Receipts;
- the terms and number of securities issuable in exchange for the Subscription Receipts;
- the conditions that must be satisfied before the Subscription Receipts are exchanged for other securities of the Company;
- the procedures and mechanics for the exchange of the Subscription Receipts into other securities of the Company;
- material Canadian federal income tax consequences of purchasing the Subscription Receipts; and
- any other material terms or conditions of the Subscription Receipts.

The statements made in this prospectus relating to any Subscription Receipts to be issued under this prospectus, or the applicable subscription receipt agreement, are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable Subscription Receipts and the applicable subscription receipt agreement. Prospective investors should refer to the terms of specific Subscription Receipts being offered, including the applicable subscription receipt agreement. The Company will file a copy of the applicable subscription receipt agreement relating to an offering of Subscription Receipts with the applicable securities regulatory authorities in Canada after the Company has entered into such agreement.

Debt Securities

This section describes the general terms that will apply to any Debt Securities issued pursuant to this prospectus. We may issue Debt Securities independently or together with other securities, and Debt Securities sold with other securities may be attached to or separate from such other securities. Debt Securities will generally be issued under one or more trust indentures between the Company and one or more banks or trust companies acting as trustee.

The Company will not offer Debt Securities pursuant to this prospectus unless a prospectus supplement containing the specific terms of the Debt Securities so offered is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Debt Securities will be offered for sale. The prospectus supplement, in respect of any Debt Securities issued under this prospectus, will include the following, where applicable:

- the aggregate principal amount of Debt Securities being offered and the offering price;
- the denomination and currency in which the Debt Securities will be offered;
- the date or dates on which the Debt Securities will mature and the portion of the outstanding principal payable upon maturity;
- the rate or rates at which the Debt Securities will bear interest, the date or dates on which such interest will begin to accrue and be payable and the record dates for any such interest;
- the circumstances that will constitute an "event of default" under the Debt Securities and the consequences of an event of default under the Debt Securities;
- the terms and conditions upon which the Company may be required to redeem, repay or repurchase the Debt Securities pursuant to any sinking fund or analogous provisions or otherwise;
- the terms and conditions upon which the Company may be permitted to redeem the Debt Securities, in whole or in part, at its option;
- the terms, if any, upon which the Debt Securities may be converted into or exchanged for Common Shares or other securities of the Company;
- whether the Debt Securities will be senior debt or subordinated to other indebtedness of the Company;
- the terms, if any, upon which the Company may be permitted or restricted from the issuance of additional securities, the incurring of additional indebtedness or subject to other material negative covenants;
- whether the Company will issue the Debt Securities as global securities and, if so, the identity of the depositary of the global securities;
- whether the Debt Securities will be listed on any exchange;
- material Canadian federal income tax consequences of purchasing the Debt Securities; and
- any other material terms or conditions of the Debt Securities.

The statements made in this prospectus relating to any Debt Securities to be issued under this prospectus or the applicable trust indenture are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable Debt Securities and any applicable trust indenture. Prospective investors should refer to the terms of specific Debt Securities being offered, including the applicable trust indenture. The Company will file a copy of the applicable trust indenture relating to an offering of Debt Securities with the applicable securities regulatory authorities in Canada after the Company has entered into such agreement.

Preferred Shares

The following sets forth certain general terms and provisions of the Preferred Shares. The particular terms and provisions of a series of Preferred Shares offered pursuant to a prospectus supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such prospectus supplement. The following description and any description of Preferred Shares in the applicable prospectus supplement does not purport to be complete and is subject to and qualified in its entirety by reference to the articles of the Company.

Preferred Shares are issuable from time to time in one or more series. The Board (as defined below) is authorized to fix before issue the number of, the consideration per share of, the designation of, and the

provisions attaching to, the Preferred Shares of each series, which may include voting rights. The Preferred Shares of each series rank on par with the Preferred Shares of every other series and are entitled to preference over the Common Shares with respect to payment of dividends and distribution of any assets in the event of the Company's liquidation, dissolution or winding-up. If any cumulative dividends (whether or not declared), non-cumulative dividends declared or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series will participate rateably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

Any prospectus supplement for Preferred Shares will set forth the terms and other information with respect to the Preferred Shares being offered thereby, including:

- the offering price of the Preferred Shares;
- the title and designation of the number of shares of the series of Preferred Shares;
- the dividend rate or method of calculation, the payment dates for dividends and the place or places where the dividends will be paid, whether dividends will be cumulative or noncumulative, and, if cumulative, the dates from which dividends will begin to accumulate;
- any conversion or exchange features or rights;
- whether the Preferred Shares will be subject to redemption and the redemption price and other terms and conditions relative to the redemption rights;
- any liquidation rights;
- any sinking fund provisions;
- any voting rights;
- whether the Preferred Shares will be issued in fully registered or "book-entry only" form;
- any other rights, privileges, restrictions and conditions attaching to the Preferred Shares; and
- any other specific terms.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In the event of an offering of convertible, exchangeable or exercisable securities such as Warrants or Subscription Receipts, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the convertible, exchangeable or exercisable securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

SELLING SECURITYHOLDERS

Common Shares may be sold under this prospectus by way of a secondary offering by or for the account of certain of our securityholders. The prospectus supplement that we will file in connection with any offering of Common Shares by selling securityholders will include the following information:

- the names of the selling securityholders;
- the number or amount of Common Shares owned, controlled or directed by each selling securityholder;
- the number or amount of Common Shares being distributed for the account of each selling securityholder;
- the number or amount of securities to be owned by the selling securityholders after the distribution and the percentage that number or amount represents of the total number of our outstanding securities; and
- whether such Common Shares are owned by the selling securityholders both of record and beneficially, of record only or beneficially only.

PLAN OF DISTRIBUTION

New Issue

We may issue our securities offered by this prospectus for cash or other consideration (i) to or through underwriters, dealers, placement agents or other intermediaries, (ii) directly to one or more purchasers or (iii) in connection with an acquisitions of assets or shares or another entity or company.

Each prospectus supplement with respect to our securities being offered by us will set forth the terms of the offering of our securities, including:

- the name or names of any underwriters, dealers or other placement agents;
- the number and the purchase price of, and form of consideration for, our securities;
- any proceeds to us; and
- any commissions, fees, discounts and other items constituting underwriters', dealers' or agents' compensation.

Our securities may be sold, from time to time, in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market price or at negotiated prices, including sales in transactions that are deemed to be "at the market distributions" as defined in *National Instrument 44-102 Shelf Distributions*, including sales made directly on the TSX-V or other existing trading markets for the securities. The prices at which the securities may be offered may vary as between purchasers and during the period of distribution. If, in connection with the offering of securities at a fixed price or prices, the underwriters have made a bona fide effort to sell all of the securities at the initial offering price fixed in the applicable prospectus supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial public offering price fixed in such prospectus supplement, in which case the compensation realized by the underwriters will be decreased by the amount that the aggregate price paid by purchasers for the securities is less than the gross proceeds paid by the underwriters to the Company. Only underwriters named in the prospectus supplement are deemed to be underwriters in connection with our securities offered by that prospectus supplement.

Under agreements which may be entered into by us, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities,

including liabilities under applicable Canadian provincial securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. The underwriters, dealers and agents with whom we enter into agreements may be customers of, engage in transactions with, or perform services for, us in the ordinary course of business.

No underwriter or dealer involved in an "at the market distribution" as defined under applicable Canadian securities legislation, no affiliate of such underwriter or dealer and no person acting jointly or in concert with such underwriter or dealer has over-allotted, or will over allot, our securities in connection with an offering of our securities or effect any other transaction that is intended to stabilize the market price of our securities.

In connection with any offering of our securities, other than an "at the market distribution", the underwriters may over-allot or effect transactions which stabilize or maintain the market price of our securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Secondary Offering

This prospectus may also, from time to time, relate to the offering of Common Shares by certain selling securityholders. The selling securityholders may sell all or a portion of the Common Shares beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If Common Shares are sold through underwriters or broker-dealers, the selling securityholders will be responsible for underwriting discounts or commissions or agent's commissions. Common Shares may be sold by the selling securityholders in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions, as follows:

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the TSX-V;
- privately negotiated transactions;
- short sales;
- broker-dealers may agree with the selling securityholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

If the selling securityholders effect such transactions by selling Common Shares to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling securityholders or

commissions from purchasers of Common Shares for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of Common Shares or otherwise, the selling securityholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of Common Shares in the course of hedging in positions they assume. The selling securityholders may also sell Common Shares short and deliver Common Shares covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling securityholders may also loan or pledge Common Shares to broker-dealers that in turn may sell such shares.

The selling securityholders may pledge or grant a security interest in some or all of the common shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell Common Shares from time to time pursuant to this prospectus or any supplement to this prospectus amending, if necessary, the list of selling securityholders to include, pursuant to a prospectus amendment or prospectus supplement, the pledgee, transferee or other successors in interest as selling securityholders under this prospectus. The selling securityholders also may transfer and donate Common Shares in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

At the time a particular offering of Common Shares is made, a prospectus supplement, if required, will be distributed which will identify the selling securityholders and provide the other information set forth under "Selling Securityholders", set forth the aggregate amount of Common Shares being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling securityholders and any discounts, commissions or concessions allowed or re-allowed or paid to broker-dealers.

There can be no assurance that any securityholder will sell any or all of Common Shares registered pursuant to a prospectus supplement. The selling securityholders and any other person participating in such distribution will be subject to applicable provisions of Canadian securities legislation. The foregoing may affect the marketability of Common Shares and the ability of any person or entity to engage in market-making activities with respect to Common Shares.

Once sold under a prospectus supplement, Common Shares will be freely tradable in the hands of persons other than our affiliates.

RISK FACTORS

Investing in our securities involves a high degree of risk. In addition to the other information included or incorporated by reference in this prospectus or any applicable prospectus supplement, you should carefully consider the risks described below before purchasing our securities. If any of the following risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our securities, including Common Shares, could decline, and you might lose all or part of your investment. The risks set out below are not the only risks we face; risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations. You should also refer to the other information set forth or incorporated by reference in this prospectus or any applicable prospectus supplement, including our financial statements and related notes.

Risks Related to the Clinical Trial Process and Regulatory Approval for Aequus' Product Candidates

Aequus has not obtained regulatory approval for any of Aequus' product candidates in Canada, the U.S. or any other country.

Aequus currently does not have any product candidates that have gained regulatory approval for sale in Canada, the U.S. or any other country, and Aequus cannot guarantee that Aequus will ever have marketable products. Aequus' business is substantially dependent on Aequus' ability to complete the development of, obtain regulatory approval for and successfully commercialize product candidates in a timely manner. Aequus' potential product candidates will be principally regulated in the U.S. by the FDA, in Canada by the TPD, in the European Union by the European Medicines Agency ("**EMA**"), and in other jurisdictions by applicable regulatory authorities.

Before obtaining regulatory approvals in Canada, the U.S. or in other countries where Aequus may market Aequus' potential product candidates for a target indication, Aequus must demonstrate in preclinical studies and well-controlled clinical trials that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. In the U.S., it is necessary to submit an NDA to obtain FDA approval. An NDA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety and efficacy for each desired indication, although Aequus may partially rely on public information or the FDA's prior approval of similar products. The NDA must also include significant information regarding the chemistry, manufacturing and controls for the product. The FDA may further inspect Aequus' manufacturing facilities to ensure that the facilities can manufacture Aequus' product candidates and Aequus' products, if and when approved, in compliance with the applicable regulatory requirements, as well as inspect Aequus' clinical trial sites to ensure that Aequus' studies are properly conducted. Obtaining approval of an NDA is a lengthy, expensive and uncertain process, and approval may not be obtained. Upon submission of an NDA, the FDA must make an initial determination that the application is sufficiently complete to accept the submission for filing. Aequus cannot be certain that any submissions will be accepted for filing and review by the FDA, or ultimately be approved. If the application is not accepted for review or approval, the FDA may require that Aequus conduct additional clinical or preclinical trials, or take other actions before it will reconsider Aequus' application. If the FDA requires additional studies or data, Aequus would incur increased costs and delays in the marketing approval process, which may require Aequus to expend more resources than Aequus has available. In addition, the FDA may not consider any additional information to be complete or sufficient to support approval.

Regulatory authorities outside of the U.S., such as in Canada, Europe and Japan and in emerging markets, also have requirements for approval of drugs for commercial sale with which Aequus must comply prior to marketing in those areas. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of Aequus' product candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country, or any regulatory approval obtained may not be as broad as what was obtained in other jurisdictions. However, the failure to obtain regulatory approval in one jurisdiction could have a negative impact on Aequus' ability to obtain approval in a different jurisdiction. Approval processes vary among countries and can involve additional product candidate testing and validation and additional administrative review periods. Seeking foreign regulatory approval could require additional non-clinical studies or clinical trials, which could be costly and time consuming. Foreign regulatory approval may include all of the risks associated with obtaining FDA approval. For all of these reasons, Aequus may not obtain foreign regulatory approvals on a timely basis, if at all.

The process to develop, obtain regulatory approval for and commercialize product candidates is long, complex and costly both inside and outside of the U.S., and approval is never guaranteed. Whether regulatory approval will be granted is unpredictable and depends upon numerous factors, including the discretion of the regulatory authorities. For example, governing legislation, approval policies, regulations, regulatory policies, or the type and amount of pre-clinical and clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. It is possible that none of our existing or future product candidates will ever obtain regulatory approval, even if we expend substantial time and resources seeking such approval.

Even if Aequus' product candidates were to successfully obtain approval from regulatory authorities, any such approval might significantly limit the approved indications for use, including more limited patient populations, require that precautions, contraindications or warnings be included on the product labeling, including black box warnings, require expensive and time-consuming post-approval clinical studies, REMS or surveillance as conditions of approval, or, through the product label, the approval may limit the claims that Aequus may make, which may impede the successful commercialization of Aequus' product candidates. Following any approval for commercial sale of Aequus' product candidates, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, as well as new safety information, will be subject to additional FDA notification, or review and approval. Also, regulatory approval for any of Aequus' product candidates may be withdrawn. If Aequus is unable to obtain regulatory approval for Aequus' product candidates in one or more jurisdictions, or any approval contains significant limitations, Aequus' ability to market to Aequus' full target market will be reduced and Aequus' ability to realize the full market potential of Aequus' product candidates will be harmed. Furthermore, Aequus may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue or complete the development of any of Aequus' current or future product candidates.

As an organization, Aequus has never conducted a clinical trial or submitted an NDA/NDS or IND/CTA before, and may be unable to do so for Aequus' potential products or any other future products Aequus develops.

All of Aequus' product candidates are currently at the pre-clinical stage and still must undergo all levels of clinical trials. The conduct of registration clinical trials and the submission of a successful IND/CTA or NDA/NDS is a complicated process. As an organization, Aequus has not conducted a clinical trial before, has limited experience in preparing, submitting and prosecuting regulatory filings, and has not submitted an NDA/NDS or IND/CTA before. Aequus also has had limited interactions with the TPD, FDA and similar regulatory agencies in other jurisdictions and has not discussed Aequus' current clinical trial designs or implementation with the TPD, FDA or similar regulatory agencies. Consequently, even if Aequus' initial clinical trials are successful, Aequus may be unable to successfully and efficiently execute and complete necessary clinical trials in a way that leads to NDA/NDS submission and approval of Aequus' proposed products or any other future product candidate Aequus may develop. Aequus may require more time and incur greater costs than Aequus' competitors and may not succeed in obtaining regulatory approvals of products that Aequus develops. Failure to commence or complete, or delays in, Aequus' planned clinical trials, would prevent Aequus from or delay Aequus in commercializing Aequus' proposed products or any other future product candidate Aequus develops.

Failure can occur at any stage of clinical development. If the clinical trials for AQS-1301 or any of Aequus' potential future product candidates are unsuccessful, Aequus could be required to abandon development of such product.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. A failure of one or more clinical trials can occur at any stage of testing for a variety of reasons. The outcome of preclinical testing and early clinical trials may not be predictive of the outcome of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. For example,

adverse events may occur or other risks may be discovered in Aequus' expected non-IND Phase 1a POC clinical trial for AQS-1301 that could cause Aequus to suspend or terminate the clinical trial. In some instances, there can be significant variability in safety or efficacy results between different trials of the same product candidate due to numerous factors, including changes in or adherence to trial protocols, differences in size and type of the subject populations and the rates of dropout among clinical trial subjects. Aequus' future clinical trial results therefore may not demonstrate safety and efficacy sufficient to obtain regulatory approval for its product candidates. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Any future clinical trials Aequus may undertake may not be successful.

Flaws in the design of a clinical trial may not become apparent until the clinical trial is well-advanced. The Company has never conducted a clinical trial before and may be unable to design and execute clinical trials to support regulatory approval of its product candidates. In addition, clinical trials often reveal that it is not practical or feasible to continue development efforts for a product candidate.

Aequus may voluntarily suspend or terminate its proposed clinical trials if at any time it believes that they present an unacceptable risk to subjects. Furthermore, regulatory agencies, IRBs or similar research ethics boards, or data safety monitoring boards may at any time order the temporary or permanent discontinuation of Aequus' proposed clinical trials or request that Aequus cease using certain investigators in the clinical trials if such regulatory agencies or boards believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements or that they present an unacceptable safety risk to subjects.

If the results of the proposed clinical trials for Aequus' current product candidates or clinical trials for any future product candidates do not achieve the primary efficacy endpoints or demonstrate unexpected safety issues, the prospects for approval of Aequus' product candidates will be materially adversely affected. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials have failed to achieve similar results in later clinical trials, including longer-term trials, or have failed to obtain regulatory approval of their product candidates. Many compounds that initially showed promise in clinical trials or earlier preclinical studies have later been found to cause undesirable or unexpected adverse effects that have prevented further development of the compound. Aequus' planned clinical trials for its primary product candidate, AQS-1301, may not produce the results that Aequus expects, or the TPD, FDA or similar regulatory agencies in other jurisdictions may interpret the data differently than Aequus does.

In addition to the circumstances noted above, Aequus may experience numerous unforeseen events that could cause its proposed clinical trials to be delayed, suspended or terminated, or which could delay or prevent Aequus' ability to receive regulatory approval for or commercialize any of its product candidates, including:

- Clinical trials of Aequus' product candidates may produce negative or inconclusive results, and Aequus may decide, or regulators may require Aequus, to conduct additional clinical trials or implement a clinical hold;

- The number of subjects required for clinical trials of Aequus' product candidates may be larger than Aequus currently anticipates, enrollment in these clinical trials may be slower than it anticipates or participants may drop out of these clinical trials at a higher rate than it anticipates;

- Aequus' third party CRO, or study sites may fail to comply with regulatory requirements or the clinical trial protocol, or meet their contractual obligations to Aequus in a timely manner, or at all;

- Regulators or IRBs (or similar research ethics boards) may not authorize Aequus or Aequus' investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site or amend a trial protocol;

- Aequus may have delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites and Aequus' CRO;

- Aequus may have delays in adding new investigators or clinical trial sites, or it may experience a withdrawal of clinical trial sites;

- Aequus may elect or be required to suspend or terminate clinical trials of its product candidates based on a finding that the subjects are being exposed to health risks or due to other reasons;

- The cost of clinical trials for Aequus' product candidates may be greater than it anticipates;

- The supply or quality of Aequus' product candidates or other materials necessary to conduct clinical trials of Aequus' product candidates may be insufficient or inadequate;

- There may be changes in government regulations or administrative actions;

- Aequus' product candidates may have undesirable adverse effects or other unexpected characteristics;

- Aequus may not be able to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;

- Aequus may not be able to demonstrate that a product candidate provides an advantage over current standards of care or future competitive therapies in development; and

- There may be changes in the approval policies or regulations that render Aequus' data insufficient for approval.

If Aequus elects or is required to suspend or terminate a clinical trial for any of its product candidates, or its product candidate development is otherwise delayed, Aequus' development costs may increase, its commercial prospects will be adversely impacted, any periods during which it may have the exclusive right to commercialize its product candidates may be shortened and Aequus' ability to generate product revenues may be delayed or eliminated.

Aequus expects to conduct additional clinical trials in the future for AQS-1301 and its other product candidates. Subject enrollment, which is a significant factor in the timing of clinical trials, is affected by a variety of factors, including the following:

- Size and nature of the subject population;

- Proximity of subjects to clinical sites and the number of sites;

- Effectiveness of publicity created by clinical trial sites regarding the trial;

- Eligibility and exclusion criteria for the trial;
- Design of the clinical trial, including factors such as frequency of required assessments, length of the study and ongoing monitoring requirements;
- Competing clinical trials;
- Clinician and subject perceptions as to the potential advantages or disadvantages of the product candidate being studied in relation to other available therapies, including any products that may be approved for the indications Aequus is investigating;
- Subjects' ability to comply with the specific instructions related to the trial protocol, proper documentation and use of the drug product;
- Inability to obtain or maintain subject informed consents; and
- Risk that enrolled subjects will drop out before completion.

Furthermore, Aequus currently expects to rely on a CRO and clinical trial sites to ensure the proper and timely conduct of its clinical trials, and while Aequus may have agreements governing their committed activities, Aequus has limited influence over their actual performance. Additionally, the CRO and clinical trial sites may have business, regulatory, personnel or other issues that keep Aequus from satisfactorily completing Aequus' clinical trials. Any delays or unanticipated problems during clinical trials, such as additional monitoring of clinical trial sites, slower than anticipated enrollment in Aequus' clinical trials or subjects dropping out of or being excluded from participation in its clinical trials at a higher rate than Aequus anticipates, could increase Aequus' costs, slow down its product development and approval process and harm its business.

Aequus may in the future conduct clinical trials for its potential products or any future product candidates in sites outside the U.S. and the FDA may not accept data from trials conducted in such locations.

Aequus may in the future choose to conduct one or more of Aequus' clinical trials outside the U.S. Although the FDA may accept data from clinical trials conducted outside the U.S., acceptance of this data is subject to certain conditions imposed by the FDA. This same comment applies to other jurisdictions. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with ethical principles. The study population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. Generally, the patient population for any clinical studies conducted outside of the U.S. must be representative of the population for whom Aequus intend to label the product in the U.S. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will be dependent upon its determination that the studies also complied with all applicable U.S. laws and regulations. There can be no assurance the FDA will accept data from trials conducted outside of the U.S. If the FDA chooses to not accept Aequus' data collected outside the U.S., it would likely result in the need for additional trials, which would be costly and time-consuming and delay or permanently halt Aequus' development of its proposed products or any future product candidates.

Regulatory approval may be substantially delayed or may not be obtained for one or all of Aequus' product candidates if regulatory authorities require additional time or studies to assess the safety and efficacy of its product candidates.

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 other than AQS-1301 will require funding beyond the proceeds obtained in the Special Warrant Financing. In addition, if regulatory authorities require additional time or studies to assess the safety or efficacy of AQS-1301, Aequus may not have or be able to obtain adequate funding to complete the necessary steps for approval for any of its product candidates. Additional delays may result if the TPD, FDA, an FDA Advisory Committee 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 U.S., Europe, Japan or other markets may result from many factors, including:

- Aequus' inability to obtain sufficient funds required for a clinical trial;
- Regulatory requests for additional analyses, reports, data, non-clinical and preclinical studies and clinical trials;
- Regulatory questions regarding interpretations of data and results and the emergence of new information regarding Aequus' product candidates or other products;
- Clinical holds, other regulatory objections to commencing or continuing a clinical trial or the inability to obtain regulatory approval to commence a clinical trial in countries that require such approvals;
- Failure to reach agreement with the TPD, FDA or other similar regulatory agencies regarding the scope or design of Aequus' clinical trials;
- Aequus' inability to enroll or retain a sufficient number of subjects who meet the inclusion and exclusion criteria in its clinical trials;
- Aequus' inability to conduct its clinical trials in accordance with regulatory requirements or its future clinical trial protocols;
- Unfavorable or inconclusive results of clinical trials and supportive non-clinical studies, including unfavorable results regarding safety or efficacy of Aequus' product candidates during clinical trials;
- Failure to meet the level of statistical significance required for approval;
- Any determination that a clinical trial presents unacceptable health risks to subjects;
- Lack of adequate funding to commence or complete Aequus' clinical trials due to unforeseen costs or other business decisions;

- Aequus' inability to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

- Aequus' inability to identify and maintain a sufficient number of sites, many of which may already be engaged in other clinical trial programs, including other clinical trials for the same indications targeted by its product candidates;

- Aequus' inability to obtain approval from IRBs or similar research ethics boards to conduct clinical trials at their respective sites;

- Aequus' inability to timely obtain from Aequus' third party manufacturer sufficient quantities or quality of the product candidate or other materials required for a clinical trial;

- Aequus may be unable to obtain approval for the manufacturing processes or facilities of the third party manufacturer with whom Aequus contract for clinical and commercial supplies;

- Aequus may have insufficient funds to pay the significant user fees required by the TPD, FDA or regulatory authorities in other jurisdictions upon the filing of an NDA/NDS or analogous applications; and

- Aequus may have difficulty in maintaining contact with subjects in any future clinical trial, resulting in incomplete data.

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 AQS-1301 or any of Aequus' other product candidates, which would significantly harm Aequus' business, results of operations and prospects.

Aequus' product candidates may have undesirable adverse effects, which may delay or prevent regulatory approval or, if approval is received, require Aequus' products, if any, to be taken off the market, require them to include safety warnings or otherwise limit their sales.

Unforeseen adverse effects from any of Aequus' product candidates could arise either during clinical development or, if approved, after the approved product has been marketed.

Any undesirable adverse effects that may be caused by Aequus' product candidates could interrupt, delay or halt clinical trials and could result in more restrictive labeling or the denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications, and in turn prevent Aequus from commercializing Aequus' product candidates and generating revenues from their sale. Adverse effects could also impact subject recruitment or the ability or willingness of enrolled subjects to complete the trial, or result in product liability claims. Any of these occurrences may harm Aequus' business, financial condition and prospects significantly. Certain types of unexpected adverse events for atypical antipsychotic class drugs may also impact the perception of Aequus' product and may result in additional regulatory obligations and/or labeling changes.

In addition, if any of Aequus' product candidates receive regulatory approval and Aequus or others later identify undesirable adverse effects caused by the product, Aequus could face one or more of the following consequences:

- Aequus may suspend marketing of, withdraw or recall the product;

- Regulatory authorities may require the addition of labeling statements, such as a black box warning or a contraindication, or other labeling changes;

- Regulatory authorities may withdraw their approval of the product;

- Regulatory authorities may seize the product or seek an injunction against its manufacture or distribution;

- The TPD, FDA or other regulatory authorities may issue safety alerts, 'Dear Healthcare Provider' letters, press releases or other communications containing warnings about the product;

- The FDA may require the establishment or modification of a REMS or a comparable regulatory authority in Canada or other jurisdictions may require the establishment or modification of a similar strategy that may, for instance, require Aequus to issue a medication guide outlining the risks of such adverse effects for distribution to patients, or restrict distribution of the product, if and when approved, and impose burdensome implementation requirements on Aequus;

- Aequus may be required to conduct additional trials;

- Aequus may be required to change the way that the product is administered, conduct additional clinical trials or recall the product;

- Aequus may be subject to litigation or product liability claims, fines, injunctions or criminal penalties;

- Regulatory authorities may impose additional restrictions on marketing and distribution of the product; and

- Aequus' reputation may suffer.

Any of these events could prevent Aequus from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing such product, which in turn could delay or prevent Aequus from generating significant revenues from its sale.

Aequus' development and commercialization strategy for AQS-1301 depends, in part, upon the FDA's prior findings regarding the safety and efficacy of aripiprazole based on data not developed by Aequus, but upon which the FDA may rely in reviewing Aequus' NDA.

The U.S. *Hatch-Waxman Act* added Section 505(b)(2) to the FDCA. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from clinical trials not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The FDA interprets Section 505(b)(2) of the FDCA, for the purposes of approving an NDA, to permit the applicant to rely, in part, upon published literature or the FDA's previous findings of safety and efficacy for an approved product. The FDA may also require companies to perform additional clinical trials or measurements to support any deviation from the previously approved product. The FDA may then approve the new product candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant. The label, however, may require all or some of the limitations, contraindications, warnings or precautions included in the reference product's label, including a black box warning, or may require additional limitations, contraindications, warnings or precautions. Aequus anticipates submitting an NDA for AQS-1301 under Section 505(b)(2) and as such the NDA will rely, in part, on the FDA's previous findings of safety and efficacy for aripiprazole. Even though Aequus may be able to take advantage of Section

505(b)(2) to support potential U.S. approval for AQS-1301, the FDA may require Aequus to perform additional clinical trials or measurements to support approval. In addition, notwithstanding the approval of many products by the FDA pursuant to Section 505(b)(2), over the last few years, some pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA changes its interpretation of Section 505(b)(2), or if the FDA's interpretation is successfully challenged in court, this could delay or even prevent the FDA from approving any Section 505(b)(2) NDAs that Aequus may submit. Such a result could require Aequus to conduct additional testing and costly clinical trials, which could substantially delay or prevent the approval and launch of Aequus' product candidates, including AQS-1301.

Risks Related to Aequus' Financial Position and Need for Capital

Aequus has never been profitable. Currently, Aequus has no products approved for commercial sale, no source of revenue and Aequus may never become profitable.

Aequus has never been profitable and does not expect to be profitable in the foreseeable future. Aequus has no products approved for commercial sale and to date has not generated any revenue from product sales. Aequus' ability to generate revenue and become profitable depends upon Aequus' ability to successfully complete the development of, and obtain the necessary regulatory approvals for, Aequus' product candidates. Aequus has been engaged in developing AQS-1301 since its inception. To date, Aequus has not generated any revenue from AQS-1301, and Aequus may never be able to obtain regulatory approval for the marketing of AQS-1301. Further, even if Aequus is able to gain approval for and commercialize AQS-1301 or any other product candidate, there can be no assurance that Aequus will generate significant revenues or ever achieve profitability. Aequus' ability to generate product revenue depends on a number of factors, including Aequus' ability to:

- Successfully complete clinical development of, and receive regulatory approval for, Aequus' product candidates;

- Set an acceptable price for Aequus' products, if approved, and obtain adequate coverage and reimbursement from third party payors;

- Obtain commercial quantities of Aequus' products, if approved, at acceptable cost levels; and

- Successfully market and sell Aequus' products, if approved, in Canada, the U.S. and in other foreign jurisdictions.

In addition, because of the numerous risks and uncertainties associated with product candidate development, Aequus is unable to predict the timing or amount of increased expenses, or when or if Aequus will be able to achieve or maintain profitability. In addition, Aequus' expenses could increase beyond Aequus' current expectations if Aequus is required by the TPD, FDA or other regulatory authorities to perform studies in addition to those that Aequus currently anticipates. Even if Aequus' product candidates are approved for commercial sale, Aequus anticipates incurring significant costs associated with the commercial launch of these products.

Aequus' ability to become and remain profitable depends on its ability to generate revenue. Even if Aequus is able to generate revenues from the sale of Aequus' products, if approved, Aequus may not become profitable and may need to obtain additional funding to continue operations. If Aequus fails to become profitable or obtain additional funding, or is unable to sustain profitability on a continuing basis, then Aequus may be unable to continue its operations at planned levels and be forced to reduce operations. Even if Aequus does achieve profitability, Aequus may not be able to sustain or increase profitability on a quarterly or annual basis. Aequus' failure to become and remain profitable would

decrease the value of Aequus and could impair Aequus' ability to raise capital, expand Aequus' business or continue Aequus' operations. A decline in the value of Aequus could also cause you to lose all or part of your investment.

Aequus has incurred operating losses in each year since its inception and expects to continue to incur substantial losses for the foreseeable future.

Aequus is a pre-clinical stage life-sciences company with a limited operating history. Investment in pharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval or become commercially viable. Aequus does not have any products approved by regulatory authorities for marketing or commercial sale and has not generated any revenue from product sales, or otherwise, to date, and Aequus continues to incur significant research, development and other expenses related to ongoing operations. As a result, Aequus is not profitable and has incurred losses in every financial reporting period since Aequus' inception on January 3, 2013. As of March 31, 2015, Aequus had an accumulated deficit since inception of $5,166,703.

Aequus expects to continue to incur significant expenses and operating losses for the foreseeable future. Aequus anticipates these losses to increase as Aequus continue the R&D of, and seek regulatory approvals for any of Aequus' future product candidates, and potentially begin to commercialize any products that may achieve regulatory approval. Aequus may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect Aequus' financial condition. The size of Aequus' future net losses will depend, in part, on the rate of future growth of Aequus' expenses and Aequus' ability to generate revenues. Aequus' prior losses and expected future losses have had and will continue to have an adverse effect on Aequus' financial condition. If any future product candidates fail in clinical trials or do not gain regulatory approval, or if approved, fail to achieve market acceptance, Aequus may never become profitable. Even if Aequus achieves profitability in the future, Aequus may not be able to sustain profitability in subsequent periods.

If Aequus fails to obtain the capital necessary to fund Aequus' operations, Aequus may be unable to obtain regulatory approval of AQS-1301 in Canada, the U.S. or other major markets.

Based on Aequus' current operating plans, Aequus believes that Aequus' cash, cash equivalents and marketable securities will be sufficient to meet Aequus' anticipated operating needs through early 2016. Aequus' cash and cash equivalents were $2,269,779 as of March 31, 2015. Aequus anticipates requiring additional capital to fund operating needs thereafter. Aequus may also need to raise additional funds sooner if it chooses to expand more rapidly than it presently anticipates.

Aequus will need to obtain additional financing to fund Aequus' operations and, if unable to obtain such financing, Aequus may be unable to complete the development of Aequus' product candidates.

Aequus' operations have consumed substantial amounts of cash since inception. Aequus will need to obtain additional financing to fund Aequus' future operations, including completing the development and commercialization of Aequus' product candidates. Aequus will need to obtain additional financing to conduct additional trials for the approval of Aequus' product candidates if requested by regulatory authorities, and to complete the development of any additional product candidates Aequus might acquire. Moreover, Aequus' fixed expenses such as rent, interest expense and other contractual commitments are substantial and are expected to increase in the future.

Aequus' future funding requirements will depend on many factors, including, but not limited to:

- Progress, timing, scope and costs of Aequus' proposed clinical trials, including the ability to timely enroll subjects in Aequus' planned and potential future clinical trials;

- Time and cost necessary to obtain regulatory approvals that may be required by regulatory authorities;

- Aequus' ability to successfully partner and commercialize Aequus' product candidates, if approved;

- Amount of sales and other revenues from product candidates that Aequus may commercialize, if any, including the selling prices for such potential products and the availability of adequate third-party coverage and reimbursement;

- Terms and timing of any potential future collaborations, licensing or other arrangements that Aequus may establish;

- Cash requirements of any future acquisitions or the development of other product candidates;

- The costs of operating as a public company;

- Time and cost necessary to respond to technological and market developments; and

- Costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

Until Aequus can generate a sufficient amount of revenue, Aequus may finance future cash needs through public or private equity offerings, license agreements, debt financings, collaborations, strategic alliances and marketing or distribution arrangements. Aequus believes that the estimated net proceeds from the Special Warrant Financing, together with existing cash, cash equivalents and marketable securities will be sufficient to fund Aequus' projected operating requirements through early 2016. Aequus expects that these funds will not be sufficient to enable Aequus to complete all necessary development of Aequus' product candidates other than AQS-1301 or commercially launch AQS-1301 or Aequus' other product candidates. Accordingly, Aequus will be required to obtain further funding through other public or private offerings, debt financing, collaboration or licensing arrangements or other sources. Adequate additional funding may not be available to Aequus on acceptable terms, or at all. If Aequus is unable to raise capital when needed or on attractive terms, Aequus would be forced to delay, reduce or eliminate Aequus' R&D programs or future commercialization efforts. Aequus may seek to access the public or private capital markets whenever conditions are favorable, even if Aequus does not have an immediate need for additional capital at that time. In addition, if Aequus raises additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, Aequus may have to relinquish valuable rights to Aequus' technologies, future revenue streams or product candidates or to grant licenses on terms that may not be favorable to Aequus.

Aequus' forecast of the period of time through which its financial resources will be adequate to support Aequus' operating requirements is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "*Risk Factors*" section. Aequus has based this estimate on a number of assumptions that may prove to be wrong, and changing circumstances beyond Aequus' control may cause Aequus to consume capital more rapidly than Aequus currently anticipates. Aequus' inability to obtain additional funding when Aequus need it could seriously harm Aequus' business.

Raising additional capital may cause dilution to Aequus' existing shareholders or restrict Aequus' operations.

Aequus may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. The sale of additional equity or convertible debt securities could result in the issuance of additional shares of in the capital of Aequus and could result in dilution to Aequus' shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on Aequus' ability to incur additional debt, limitations on Aequus' ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact Aequus' ability to conduct Aequus' business. Aequus cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to Aequus, if at all. If Aequus is unable to raise additional capital in sufficient amounts or on terms acceptable to Aequus, Aequus will be prevented from pursuing R&D efforts. This could harm Aequus' business, operating results and financial condition and cause the price of Aequus' securities to fall should a market for such securities develop.

Aequus is a development stage company which may make it difficult for you to evaluate the success of Aequus' business to date and to assess Aequus' future viability.

Aequus is a development stage company. Aequus was incorporated and commenced active operations in 2013. Aequus' operations to date have been limited to organizing and staffing the Company, business planning, raising capital and developing Aequus' product candidates. Aequus has not yet demonstrated its ability to successfully complete clinical trials for, obtain regulatory approval of or manufacture on a commercial scale any of Aequus' product candidates, or arrange for a third party to do so on Aequus' behalf, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, any predictions about Aequus' future success or viability may not be as accurate as they could be if Aequus had a longer operating history.

In addition, as a development stage company, Aequus may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. Aequus will need to transition from a company with a focus on product candidate development to a company capable of supporting commercial activities. Aequus may not be successful in such a transition.

Aequus has a history of negative operating cash flow and may continue to experience negative operating cash flow.

Aequus had negative operating cash flow for every financial reporting period since its inception on January 3, 2013. Aequus anticipates that it will continue to have negative operating cash flow until such time, if at all, that profitable commercial production is achieved with AQS-1301. To the extent that Aequus has negative operating cash flow in future periods, Aequus may need to allocate a portion of its cash reserves to fund such negative cash flow. Aequus may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to Aequus.

Risks Relating to the Commercialization of Aequus' Product Candidates

Aequus has never marketed a drug before and if Aequus is unable to establish an effective sales force and marketing infrastructure, or enter into acceptable third-party sales and marketing or licensing arrangements, Aequus may be unable to generate revenue.

Aequus does not currently have an infrastructure for the sales, marketing and distribution of pharmaceutical drug products and the cost of establishing and maintaining such an infrastructure may exceed the cost-effectiveness of doing so. In order to market any products that may be approved by the TPD, FDA or comparable foreign regulatory authorities, Aequus must build its sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. If Aequus is unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, Aequus may not be able to generate product revenue and may not become profitable. Aequus will be competing with many companies that currently 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.

Aequus is substantially dependent on forming a third party partnership for the commercial success of AQS-1301.

Even if Aequus is able to obtain regulatory approvals for Aequus' product candidates, the success of those products is dependent upon achieving and maintaining market acceptance. New product candidates that appear promising in development may fail to reach the market or may have only limited or no commercial success. Levels of market acceptance for Aequus' products could be impacted by several factors, many of which are not within Aequus' control, including but not limited to:

- Efficacy, safety and other potential advantages of Aequus' product candidates in relation to alternative treatments;

- Relative convenience and ease of administration of Aequus' product candidates;

- Availability of adequate coverage or reimbursement of Aequus' product candidates by third parties, such as insurance companies and other payors, and by government healthcare programs, including, in the U.S., Medicare, Medicaid and state health insurance exchanges and comparable government health-care programs in other jurisdictions;

- Prevalence and severity of adverse events associated with Aequus' product candidates;

- Cost of Aequus' product candidates in relation to alternative treatments, including generic products;

- Extent and strength of Aequus' third-party manufacturer and supplier support;

- Extent and strength of Aequus' marketing and distribution support;

- Limitations or warnings contained in Aequus' potential product's labeling as approved or required by the TPD, FDA or other regulatory agencies; and

- Distribution and use restrictions imposed by the TPD, FDA or other regulatory agencies or to which Aequus agree as part of a mandatory REMS or voluntary risk management plan.

For example, if AQS-1301 is approved by the FDA/TPD, physicians and patients may not be immediately receptive to a transdermal antipsychotic system, as opposed to a pill or any other method, and may be slow to adopt it as an accepted treatment for its indicated use. In addition, even though Aequus believes AQS-1301 has significant advantages over other treatment options, because no head-to-head trials comparing AQS-1301 to the competing approved products have been conducted, the prescribing information approved by the FDA/TPD may not contain claims that AQS-1301 is safer or more effective than the currently approved products, or other claims that may be necessary for successful marketing of AQS-1301. Accordingly, Aequus will not be permitted to promote AQS-1301, if approved, for any comparative advantages to the currently marketed products. The availability of numerous inexpensive generic forms of antipsychotic products may also limit acceptance of AQS-1301 among physicians, patients and third party payors. If AQS-1301 does not achieve an adequate level of acceptance among physicians, patients and third party payors, Aequus may not generate significant product revenues or become profitable.

It will be difficult for Aequus to profitably sell AQS-1301, if approved, or any other product that Aequus obtains marketing approval for in the future, if coverage and reimbursement for such product is limited.

Market acceptance and sales of AQS-1301, if approved, or any other product that Aequus obtains marketing approval for in the future, will depend on coverage and reimbursement policies and may be affected by future healthcare reform measures. Government authorities and third party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels for approved medications. A primary trend in the U.S. and Canadian healthcare industry is cost containment. Government authorities and these third party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Some payors also require manufacturers to enter into agreements with them in order for drugs to be reimbursed by the payor, and the agreements may contain cost sharing or other onerous provisions. Also, current conditions and rules relating to the listing submissions to public and private formulary listings may change or become more onerous in the future. If Aequus fails to achieve the listing of our products, it will affect the physicians' decisions regarding the use of our products. Aequus cannot be sure that coverage or reimbursement will be available for AQS-1301, if approved, or any other product that Aequus obtains marketing approval for in the future and, if coverage is available, Aequus cannot be sure of the level of reimbursement. Reimbursement may impact the demand for, or the price of, AQS-1301, if approved, and any other products that Aequus obtains marketing approval for and commercialize. Numerous generic products may be available at lower prices than branded therapy products, such as AQS-1301, which may also reduce the likelihood and level of reimbursement for AQS-1301. If coverage and reimbursement are not available or are available only at limited levels, Aequus may not be able to successfully commercialize AQS-1301, if approved, or any other product for which Aequus obtains marketing approval.

If Aequus is unable to enter into agreements with third parties to market and sell AQS-1301, if approved, Aequus may be unable to generate product revenues.

Aequus is seeking to engage a third party partner to commercialize AQS-1301. If Aequus is successful in entering into a commercialization agreement, Aequus may have limited or no control over sales, marketing and distribution activities of these third parties. Aequus' future revenues may depend on the success of the efforts of these third parties. To the extent that Aequus relies on, or partners with, third parties to commercialize AQS-1301, if approved, or any other product candidate for which Aequus obtains marketing approval in the future, Aequus may receive less revenue than if Aequus commercialized these products itself. In addition, Aequus would have less control over the sales efforts of any other third parties involved in Aequus' commercialization efforts. In the event that Aequus is unable to partner with a third party marketing and sales organization, Aequus' ability to generate product

revenues may be limited in Canada, the U.S., or other jurisdictions in which its product candidates may be approved for sale, if any.

A variety of risks associated with potential international business relationships could materially adversely affect Aequus' business.

Aequus may enter into agreements with third parties for the development and commercialization of AQS-1301 and possibly other product candidates in international markets. If Aequus does so, Aequus would be subject to additional risks related to entering into international business relationships, including:

- Differing regulatory requirements in foreign countries including, among others, requirements relating to drug approvals, reimbursement and sales and marketing practices;
- Potentially reduced protection for intellectual property rights;
- The potential for so-called parallel importing, which is when a local seller, faced with higher local prices, opts to import goods from a foreign market with lower prices, rather than buying them locally;
- Unexpected changes in tariffs, trade barriers and regulatory requirements;
- Economic weakness, including inflation, or political instability in foreign economies and markets;
- Compliance with tax, employment, immigration and labor laws for employees traveling and working abroad;
- Foreign taxes;
- Foreign currency fluctuations, which could result in increased operating expenses and reduced revenues, and other risks incident to doing business in another country;
- Workforce uncertainty in countries where labor unrest is more common than in the U.S.;
- Production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- Business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, tsunamis, hurricanes and fires.

These and other risks may materially adversely affect Aequus' ability to develop and commercialize products in international markets and may harm Aequus' business.

Even if Aequus receive regulatory approval for AQS-1301, Aequus still may not be able to successfully commercialize it and the revenue that Aequus generate from its sales, if any, may be limited.

The commercial success of AQS-1301 in any indication for which Aequus obtains marketing approval from the TPD, FDA or other regulatory authorities will depend upon the antipsychotic market landscape as well as acceptance and uptake of AQS-1301 by physicians, patients and third-party payors.

Risks related to the antipsychotic market landscape include:

- The prescription antipsychotic market could experience a decrease in growth or negative growth if fewer patients choose to use pharmaceutical intervention;

- The perceived safety of antipsychotics could be negatively affected by media reports of adverse effects and advertisements for class action lawsuits due to adverse effects;

- Price pressures from third-party payors, including managed care organizations and government-sponsored health systems, could limit Aequus' revenue;

- The proportion of the antipsychotic market comprised of generic products could continue to increase, making introduction of a branded transdermal antipsychotic difficult and expensive;

- Competition in the antipsychotic market could increase, with the introduction of new antipsychotics, including the potential of a new generic or branded alternative;

- Competition from generic antipsychotic products could increase as additional generic antipsychotics receive TPD or FDA approval, or approval from similar regulatory authorities in other jurisdictions;

- Implementation of the U.S. *Patient Protection and Affordable Care Act*, as amended by the *Healthcare and Education Reconciliation Act* of 2010 or, collectively, the *Affordable Care Act* ("**ACA**"), and its effect on pharmaceutical coverage, reimbursement and pricing could limit Aequus' revenue;

- Access to the prescriber universe, particularly psychiatric physicians, could be limited, decreasing Aequus' ability to promote AQS-1301 efficiently; and

- The presence of FDA mandated black box warnings on atypical antipsychotic packaging regarding increased mortality risk in the elderly and an increase in suicidal thoughts or behaviors in some children, teenagers and young adults.

The degree of acceptance and uptake of AQS-1301, if approved, by physicians, patients and third-party payors will depend upon a number of factors, including:

- The level of effectiveness of AQS-1301 demonstrated in Aequus' clinical trials;

- The incidence and severity of adverse effects associated with AQS-1301;

- Limitations on use or warnings contained in approved labeling;

- Acceptability to patients of the appearance and feel of AQS-1301;

- Willingness of patients to use a transdermal patch as their form of antipsychotic;

- The cost of AQS-1301 to the patient, as compared to other antipsychotic products;

- Aequus' ability to obtain and maintain sufficient third party coverage or reimbursement for AQS-1301 from private health insurers, government healthcare programs (including Medicare, Medicaid and 340B Clinics) and other third party payors; and

- The effectiveness of Aequus' or any future collaborators' sales and marketing strategies.

In addition, even if Aequus obtains regulatory approval for AQS-1301, the timing of an approval may reduce Aequus' ability to commercialize AQS-1301 successfully. For example, if the approval process takes too long, Aequus may miss market opportunities and give other companies the ability to develop competing products. Any regulatory approval Aequus ultimately obtains may be limited or subject to restrictions or post-approval commitments that render AQS-1301 not commercially viable. For example, regulatory authorities may grant approval contingent on the performance of costly post-marketing clinical trials or other post-marketing commitments, including REMS, or may approve AQS-1301 with a label that contains fewer, or more limited, indications than requested, warnings, precautions or contraindications, including black box warnings, and the label may not include the claims necessary or desirable for the successful commercialization of AQS-1301. Any of the foregoing scenarios could materially harm the commercial prospects for AQS-1301.

If AQS-1301 is approved, but does not achieve an adequate level of acceptance by physicians, third-party payors and patients, Aequus may not generate sufficient revenue and Aequus may not be able to achieve or sustain profitability. The efforts of Aequus' future commercial partners, if any, to educate physicians, patients and third party payors on the benefits of AQS-1301 may require significant resources and may never be successful. Even if Aequus is able to demonstrate and maintain a competitive advantage over Aequus' competitors and become profitable, if the market for antipsychotics fails to achieve expected future growth or decreases, Aequus may not generate sufficient revenue or sustain profitability.

The proportion of the antipsychotic market that is made up of generic products could continue to increase, making introduction of a branded antipsychotic difficult and expensive.

The proportion of the Canadian and U.S. market that is made up of generic products has been increasing over time. For example, total spending on mental health therapies in the U.S. (including antipsychotics and antidepressants) in 2013 declined by 5.2% due to patent expiries of various atypical antipsychotics and a lack of newer medicines in this class. The first oral generic entry of Abilify (aripiprazole) was launched in April, 2015. It may be more difficult to introduce AQS-1301, if approved, as a branded antipsychotic, at a price that will maximize Aequus' revenue and profits. Also, there may be additional marketing costs to introduce AQS-1301 in order to overcome the trend towards generics and to gain access to reimbursement by payors. If Aequus is unable to introduce AQS-1301 at a price that is commensurate with that of current branded antipsychotic products, or Aequus is unable to gain reimbursement from payors for AQS-1301, or if patients are unwilling to pay any price differential between AQS-1301 and a generic antipsychotic, Aequus' revenues will be limited.

Recently enacted and future legislation may increase the difficulty and cost for Aequus to obtain marketing approval of and to commercialize AQS-1301 and may affect the prices Aequus may obtain.

In the U.S. and some other jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval for AQS-1301, restrict or regulate post-approval activities and affect Aequus' ability to profitably sell AQS-1301. For example, legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. Aequus does not know whether additional legislative changes will be enacted, whether the TPD or FDA's regulations, guidance or interpretations will change, or what the impact of such changes on the potential marketing approval of AQS-1301, if any, may be. In addition, in the U.S., increased scrutiny by U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject Aequus to more stringent product labeling and post-marketing testing and other requirements.

In the U.S., in March 2010, President Obama signed into law the ACA, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance

industries, impose new taxes and fees on the healthcare industry and impose additional healthcare policy reforms. The ACA, among other things, increased the Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program for both branded and generic drugs, extended the rebate program to certain individuals enrolled in Medicaid managed care organizations, addressed new methodologies by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are line extension products and expanded the 340B drug discount program (excluding orphan drugs) to other entities. Further, the ACA imposed a significant annual tax on companies that manufacture or import branded prescription drug products. Substantial new provisions affecting compliance have also been enacted, which may require Aequus to modify Aequus' business practices with regard to healthcare practitioners.

In addition, other legislative changes have been proposed and adopted in the U.S. since the ACA was enacted. On August 2, 2011, the *Budget Control Act* of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013. On January 2, 2013, President Obama signed into law the *American Taxpayer Relief Act* of 2012, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Aequus expects that additional federal healthcare reform measures will be adopted in the U.S. in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, and in turn could significantly reduce the projected value of Aequus' product candidates and reduce Aequus' profitability.

Moreover, the recently enacted *U.S. Drug Quality and Security Act* imposes new obligations related to product tracking and tracing on manufacturers of pharmaceutical products. Among the requirements of this new legislation, manufacturers will be required to provide certain information regarding the drug products they produce to individuals and entities to which product ownership is transferred, label drug product with a product identifier, and keep certain records regarding the drug product. The transfer of information to subsequent product owners by manufacturers will eventually be required to be done electronically. Manufacturers will also be required to verify that purchasers of the manufacturers' drug products are appropriately licensed. Further, under this new legislation, manufacturers will have drug product investigation, quarantine, disposition, and FDA and trading partner notification responsibilities related to counterfeit, diverted, stolen and intentionally adulterated products, as well as products that are the subject of fraudulent transactions or which are otherwise unfit for distribution such that they would be reasonably likely to result in serious health consequences or death.

There may be additional regulatory changes in Canada or other jurisdictions in the future that may adversely affect Aequus' development of its product candidates and its proposed operations should such product candidates be approved.

Third party coverage and reimbursement and healthcare cost containment initiatives and treatment guidelines may constrain Aequus' future revenues.

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. Aequus' ability to successfully market AQS-1301, if approved, will depend in part on the level of coverage and reimbursement that government authorities, private health insurers and other organizations provide for AQS-1301 and antipsychotics in general. Countries in which AQS-1301 is sold through reimbursement schemes under national health insurance programs frequently require that manufacturers and sellers of pharmaceutical products obtain governmental approval of initial

prices and any subsequent price increases. In certain countries, including the U.S., government-funded and private medical care plans can exert significant indirect pressure on prices. Aequus may not be able to sell AQS-1301 profitably if adequate prices are not approved or coverage and reimbursement are unavailable or limited in scope. Increasingly, third-party payors attempt to contain healthcare costs in ways that are likely to impact Aequus' development of products including:

- Failing to approve or challenging the prices charged for healthcare products;
- Introducing reimportation schemes from lower-priced jurisdictions;
- Limiting both coverage and the amount of reimbursement for new therapeutic products, especially with respect to line extensions of existing drugs that are more expensive;
- Denying or limiting coverage for products that are approved by the regulatory agencies but are considered to be experimental, not medically necessary or investigational by third-party payors;
- Requiring a patient to receive prior authorization or requiring the product to be on an approved list or formulary; and
- Refusing to provide coverage when an approved product is used for off-label indications.

Risks Related to Manufacturing and Aequus' Reliance on Third Parties

Aequus has no manufacturing capacity and anticipates continued reliance on Corium, Aequus' third party manufacturer, for the development and commercialization of Aequus' product candidates.

Aequus relies on Corium, Aequus' third party manufacturer, to produce clinical supplies of AQS-1301 and Aequus' other transdermal product candidates, and Aequus plans to continue relying on them for commercial supplies and samples of Aequus' transdermal product candidates, if approved. Aequus does not own or operate, and has no plans to establish, any manufacturing facilities for Aequus' product candidates. Aequus lacks the resources and capabilities to manufacture AQS-1301 or any of Aequus' product candidates on a clinical or commercial scale. The facilities used by Corium to manufacture Aequus' product candidates must be approved by the FDA pursuant to inspections that will be conducted after submission of an NDA to the FDA. Aequus does not control the manufacturing process of, and is completely dependent on, Aequus' contract manufacturing partners for compliance with the regulatory requirements, known as cGMPs, for manufacture of Aequus' product candidates and Aequus' products, if and when approved. If Corium or other contract manufacturers that Aequus may use cannot successfully manufacture material that conforms to Aequus' specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure or maintain regulatory approval for their manufacturing facilities. In addition, Aequus has no control over the ability of Aequus' contract manufacturer to maintain adequate quality control, quality assurance and qualified personnel. If the TPD, FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of Aequus' product candidates or if it withdraws any such approval in the future, Aequus may need to find alternative manufacturing facilities, which would significantly impact Aequus' ability to develop, obtain regulatory approval for or market Aequus' product candidates, if approved. Moreover, if Aequus' contract manufacturer cannot successfully manufacture materials that conform to Aequus' specifications and the strict regulatory requirements of the TPD, FDA or others, Aequus may be subject to other regulatory enforcement action such as Warning Letters, Untitled Letters, recalls, product seizures, fines, imprisonment, consent decrees, refusal to permit import or export of the product and injunction against manufacture or distribution.

The machinery to produce the commercial supply of AQS-1301 must be qualified and validated, which is time-consuming and expensive, and this machinery is located within one manufacturing site and is customized to the particular manufacturing specifications of AQS-1301. If Corium is unable to qualify and validate this equipment in a timely manner, Aequus' ability to launch and commercialize AQS-1301 will be compromised. If this customized equipment malfunctions at any time during the production process, the time it may take Corium to secure replacement parts, to undertake repairs and to revalidate the equipment and process could limit Aequus' ability to meet the commercial demand for AQS-1301. This may increase the risk that the third party manufacturer may not manufacture AQS-1301 in accordance with the applicable regulatory requirements, that Aequus may not have sufficient quantities of AQS-1301 or Aequus' other product candidates or that Aequus may not have such quantities at an acceptable cost, any of which could delay, prevent, or impair the commercialization of AQS-1301, if approved, and the development of Aequus' other product candidates.

Although Aequus expects to have manufacturing agreements with Corium for the clinical and commercial supply of AQS-1301, Corium and several of its suppliers of raw materials will be single source providers to Aequus for a significant period of time. In particular, we expect that Corium will manufacture AQS-1301 using aripiprazole API and components that it purchases from third parties, most of which are single source suppliers of the applicable material. Aequus does not have any control over the process or timing of the acquisition of these raw materials by Corium. Although Aequus does not expect to begin any clinical trials unless Aequus believes it has a sufficient supply of a product candidate to complete the clinical trial, any significant delay in the supply of a product candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a third party manufacturer could considerably delay completion of Aequus' clinical trials, product testing and potential regulatory approval of Aequus' product candidates.

In addition, in the event AQS-1301 is approved and achieves significant market share, Corium may not possess adequate manufacturing capabilities to meet market demand for AQS-1301. If it becomes necessary to engage an additional third party manufacturer to produce AQS-1301, Aequus may need to license certain manufacturing know-how from Corium, or Aequus' commercial supply will be limited while the new third-party manufacturer develops the necessary know-how to manufacture AQS-1301.

Reliance on a third-party manufacturer subjects Aequus to risks that would not affect Aequus if Aequus manufactured the product candidates itself, including:

- Reliance on the third party for regulatory compliance and quality assurance;
- Reduced control over the manufacturing process for Aequus' product candidates;
- The possible breach of the manufacturing agreements by the third party because of factors beyond Aequus' control;
- The possibility of termination or nonrenewal of the agreements by the third party because of Aequus' breach of the manufacturing agreement or based on their own business priorities; and
- The disruption and costs associated with changing suppliers.

Aequus' product candidates may compete with other products and product candidates for access to manufacturing resources and facilities. There are a limited number of manufacturers that operate under cGMP requirements and that are both capable of manufacturing for Aequus and willing to do so. If Aequus' existing third-party manufacturer, or the third parties that Aequus may engage in the future to manufacture a product for commercial sale or for Aequus' clinical trials, should cease to continue to manufacture Aequus' product candidates for any reason, Aequus likely would experience delays in

obtaining sufficient quantities of Aequus' product candidates for Aequus to meet commercial demand or to advance Aequus' clinical trials while Aequus identifies and qualifies replacement suppliers. If for any reason Aequus is unable to obtain adequate supplies of Aequus' product candidates or the drug substances used to manufacture them, it will be more difficult for Aequus to develop Aequus' product candidates and compete effectively.

Aequus' third-party manufacturer is subject to regulatory requirements, covering manufacturing, testing, quality control and record keeping relating to Aequus' product candidates, and subject to ongoing inspections by the regulatory agencies. In addition to the above-described regulatory actions, failures by Aequus' third-party manufacturer to comply with applicable regulations may result in long delays and interruptions to Aequus' manufacturing capacity while Aequus seek to secure another third-party manufacturer that meets all regulatory requirements.

Aequus expects to rely on third parties to conduct aspects of Aequus' clinical trials. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with applicable regulatory requirements, Aequus may be delayed in obtaining or ultimately not be able to obtain marketing approval for Aequus' product candidates.

Aequus anticipates engaging a CRO for most aspects of Aequus' clinical trials, including trial conduct, data management, statistical analysis and electronic compilation of Aequus' NDA/NDS. Aequus may enter into agreements with CROs to obtain additional resources and expertise in an attempt to accelerate Aequus' progress on new or ongoing clinical and preclinical programs. Typically entering into relationships with CROs involves substantial cost and requires extensive management time and focus. In addition, typically there is a transition period between engagement of a CRO and the time the CRO commences work. As a result, delays may occur, which may materially impact Aequus' ability to meet Aequus' desired clinical development timelines and ultimately have a material adverse impact on Aequus' operating results, financial condition or future prospects.

As CROs are not Aequus' employees, Aequus cannot control whether or not they devote sufficient time and resources to Aequus' clinical trials for which they are engaged to perform, and whether they comply with the applicable regulatory requirements, known as cGCPs which are regulations and guidelines enforced by the TPD, FDA, the Competent Authorities of the Member States of the European Economic Area, and comparable foreign regulatory authorities for all of Aequus' product candidates, which include requirements related to the conduct of the study, subject informed consent, and IRB or similar research ethics board's approval. Regulatory authorities enforce these cGCPs through periodic inspections of trial sponsors, principal investigators and trial sites. Although Aequus may rely on third parties for the execution of Aequus' trials, Aequus is nevertheless responsible for ensuring that each of Aequus' studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards and Aequus' reliance on CROs does not relieve Aequus of Aequus' regulatory responsibilities. If Aequus or any of Aequus' CROs fail to comply with applicable cGCPs, the clinical data generated in Aequus' clinical trials may be deemed unreliable and the TPD, FDA, EMA or comparable foreign regulatory authorities may require Aequus to perform additional clinical trials before approving Aequus' marketing applications. Aequus cannot assure you that, upon inspection by a given regulatory authority, such regulatory authority will determine that any of Aequus' clinical trials complies with cGCP regulations. In addition, Aequus' clinical trials must be conducted with product candidate materials produced under cGMP regulations. Aequus' failure to comply with these regulations may require Aequus to discontinue or repeat clinical trials, which would delay the regulatory approval process. If the CROs Aequus engage do not successfully carry out their contractual duties or obligations, conduct the clinical trials in accordance with all regulatory requirements, or meet expected deadlines, or if they need to be replaced, or the quality or accuracy of the data they provide is compromised due to the failure to adhere to regulatory requirements or for other reasons, then Aequus' development programs may be extended, delayed or terminated, or Aequus may not be able to obtain marketing approval for or successfully commercialize

Aequus' product candidates. Failure to comply with clinical trial regulatory requirements may further subject Aequus to regulatory action, including Warning Letters, Untitled Letters, adverse inspectional findings, clinical holds, fines and monetary penalties, imprisonment, injunction against manufacture or distribution and debarment. As a result, Aequus' financial results and the commercial prospects for Aequus' product candidates would be harmed and Aequus' costs would increase.

Any collaboration arrangements that Aequus may enter into in the future may not be successful, which could adversely affect Aequus' ability to develop and commercialize Aequus' product candidates.

Aequus may seek partnerships, collaborations and other strategic transactions to maximize the commercial potential of AQS-1301, Aequus' other product candidates and Aequus' proprietary technologies in Canada, the U.S. and other territories throughout the world. Aequus may enter into such arrangements on a selective basis depending on the merits of retaining commercialization rights for itself as compared to entering into selective collaboration arrangements with leading pharmaceutical or biotechnology companies for AQS-1301 and each of Aequus' other product candidates and technologies, both in the U.S. and internationally. Aequus faces competition in seeking appropriate collaborators. Moreover, collaboration arrangements are complex and time consuming to negotiate, document and implement. Aequus may not be successful in Aequus' efforts to establish and implement collaborations or other alternative arrangements should Aequus choose to enter into such arrangements. The terms of any collaborations or other arrangements that Aequus may establish may not be favorable to Aequus.

Any future collaborations that Aequus enters into may not be successful. The success of Aequus' collaboration arrangements will depend heavily on the efforts and activities of Aequus' collaborators. Collaborators generally have significant discretion in determining the efforts and resources that they will apply to these collaborations.

Disagreements between parties to a collaboration arrangement regarding clinical development and commercialization matters could lead to delays in the development process or commercialization of Aequus' product candidates and, in some cases, termination of the collaboration arrangement. These disagreements can be difficult to resolve if neither of the parties has final decision making authority.

Collaborations with pharmaceutical or biotechnology companies and other third parties often are terminated or allowed to expire by the other party. Any such termination or expiration could adversely affect Aequus financially and could harm Aequus' business reputation.

Risks Related to Regulatory Matters Following Approval

Even if Aequus obtains marketing approval for AQS-1301 or any other product candidate, Aequus will be subject to ongoing obligations and extensive regulatory review, which may result in significant additional expense. Additionally, AQS-1301 or another product candidate could be subject to labeling and other restrictions, including withdrawal from the market, and Aequus may be subject to penalties if Aequus fails to comply with regulatory requirements or if Aequus experiences unanticipated problems with AQS-1301.

Even if Aequus obtains regulatory approval of AQS-1301 or another product candidate, the TPD, FDA or other regulatory authority may still impose significant restrictions on its indicated uses, including more limited patient populations, require that precautions, contraindications, or warnings be included on the product labeling, including black box warnings, or impose ongoing requirements for potentially costly and time-consuming post-approval studies, including Phase 4 clinical trials, and post-market surveillance to monitor safety and efficacy. Claims that Aequus may make may also be restricted through Aequus' approved labeling. In addition, any products for which Aequus receives regulatory approval will be subject to ongoing regulatory requirements relating to the manufacturing, labeling, packaging, storage, distribution, import, export, safety surveillance, advertising, marketing promotion, recordkeeping,

reporting of adverse events and other post-market information, and further development. These requirements include registration with the TPD, FDA or other regulatory authorities, listing of Aequus' drug products, payment of annual fees, as well as continued compliance with cGCPs for any clinical trials that Aequus conducts post-approval. In addition, manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP requirements relating to quality control, quality assurance and corresponding maintenance of records and documents. In the U.S., should the inspectional findings not be resolved to the FDA's satisfaction or should the finding rise to a sufficient level, the FDA may issue a Warning Letter or Untitled Letter, or take other regulatory action such as a product seizure, withdrawal of product approval, request for a recall, refusal to allow the import or export of the product, fines, injunction against manufacture or distribution, consent decrees or imprisonment. Similar inspections may also occur in other jurisdictions.

In the U.S., the FDA has the authority to require a REMS as part of an NDA or after approval, which may impose further requirements or restrictions on the information that patients must be provided, distribution or use of an approved drug, such as limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria or requiring treated patients to enroll in a registry, dispensing only under certain circumstances and special monitoring.

With respect to sales and marketing activities by Aequus or any future collaborative partner, advertising and promotional materials must comply with the FDA's rules in addition to other applicable federal and local laws in the U.S. and similar legal requirements in other countries. In the U.S., the distribution of product samples to physicians must comply with the requirements of the U.S. *Prescription Drug Marketing Act*. Application holders must notify the FDA, and depending on the nature of the change, obtain FDA pre-approval for product and manufacturing changes. Aequus may also be subject, directly or indirectly through Aequus' customers and partners, to various fraud and abuse laws, including, without limitation, the U.S. Anti-Kickback Statute, U.S. *False Claims Act* and similar state laws, which impact, among other things, Aequus' proposed sales, marketing and scientific/educational grant programs. If Aequus participates in the U.S. Medicaid Drug Rebate Program, the Federal Supply Schedule of the U.S. Department of Veterans Affairs, or other government drug programs, Aequus will be subject to complex laws and regulations regarding reporting and payment obligations. All of these activities are also potentially subject to U.S. federal and state consumer protection and unfair competition laws. Similar requirements exist in many of these areas in other countries.

In addition, if AQS-1301 or another product candidate is approved in the U.S., Aequus' product labeling, advertising and promotional materials would be subject to regulatory requirements and continuing review by the FDA, Department of Justice, Department of Health and Human Services' Office of Inspector General, state attorneys general, members of Congress and the public. The FDA strictly regulates the promotional claims that may be made about prescription products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling, a practice known as off-label promotion. If Aequus receives marketing approval for AQS-1301 or another product candidate, physicians may nevertheless prescribe AQS-1301 or other product candidates to their patients in a manner that is inconsistent with the approved label. If Aequus is found to have promoted such off-label uses, Aequus may become subject to significant liability and government fines. In the U.S., the FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have promoted off-label uses may be subject to significant sanctions. The U.S. federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees of permanent injunctions under which specified promotional conduct is changed or curtailed. For example, Aequus believes that AQS-1301, if approved, will have a label consistent with all other marketed antipsychotic products, which

include class labeling that warns of risks of certain safety concerns including weight gain, hyperlipidemia, hyperglycemia, Tardive Dyskinesia, Neuroleptic Malignant Syndrome and black box warnings regarding increased mortality risk in the elderly and increase suicidal thoughts or behaviors in some children, teenagers, and young adults. However, regulatory authorities may require the inclusion of additional statements about adverse events in the label, including additional black box warnings or contraindications. AQS-1301 would also be subject to similar legal requirements if approved in other jurisdictions.

In the U.S., engaging in the impermissible promotion of Aequus' products, following approval, for off-label uses can also subject Aequus to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines, agreements with governmental authorities that materially restrict the manner in which Aequus promotes or distributes drug products through, for example, corporate integrity agreements, and debarment, suspension or exclusion from participation in federal and state healthcare programs. These false claims statutes include the U.S. federal civil *False Claims Act*, which allows any individual to bring a lawsuit against a pharmaceutical company on behalf of the federal government alleging submission of false or fraudulent claims, or causing others to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government decides to intervene and prevails in the lawsuit, the individual will share in the proceeds from any fines or settlement funds. If the government declines to intervene, the individual may pursue the case alone. Since 2004, these *False Claims Act* lawsuits against pharmaceutical companies have increased significantly in volume and breadth, leading to several substantial civil and criminal settlements regarding certain sales practices promoting off-label drug uses involving fines that have been as much as $3.0 billion. This growth in litigation has increased the risk that a pharmaceutical company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations, and be excluded from Medicare, Medicaid and other federal and state healthcare programs. If Aequus does not lawfully promote Aequus' approved products, if any, Aequus may become subject to such litigation and, if Aequus does not successfully defend against such actions, those actions may have a material adverse effect on Aequus' business, financial condition, results of operations and prospects.

If Aequus or a regulatory agency discover previously unknown problems with a product candidate, once approved, such as adverse events of unanticipated severity or frequency lack of efficacy, data integrity issues with regulatory filings, problems with the facility where the product is manufactured or Aequus or Aequus' manufacturers fail to comply with applicable regulatory requirements, Aequus may be subject to reporting obligations as well as the following administrative or judicial sanctions:

- Costly and repeated regulatory inspections;
- Restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- Issuance of Warning Letters, Cyber Letters or Untitled Letters;
- Mandate modification to promotional materials or require Aequus to provide corrective information to healthcare providers;
- Require Aequus to enter into a consent decree, which can include imposition of various fines, reimbursement for inspection costs, required due dates for specific actions and penalties for noncompliance;
- Clinical holds;
- Injunctions or the imposition of civil or criminal penalties, imprisonment or monetary fines;

- Suspension or withdrawal of regulatory approval;
- Suspension of any ongoing clinical trials;
- Refusal to approve pending applications or supplements to approved applications filed by Aequus, or suspension or revocation of product license approvals;
- Debarment;
- Suspension or imposition of restrictions on operations, including costly new manufacturing requirements;
- Product seizure or detention or refusal to permit the import or export of product; or
- Restrictions on prices charged going forward.

The occurrence of any event or penalty described above may inhibit Aequus' ability to commercialize AQS-1301 or any other product candidate, if approved, and generate revenue. Adverse regulatory action, whether pre- or post-approval, can also potentially lead to product liability claims and increase Aequus' product liability exposure.

Moreover, the TPD or FDA's policies may change and additional government regulations may be enacted that could prevent, limit or delay marketing approval, and the sale and promotion of Aequus' product candidates in Canada or the U.S. If Aequus is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if Aequus is not able to maintain regulatory compliance, Aequus may lose any marketing approval that Aequus may have obtained, which would adversely affect Aequus' business, prospects and ability to achieve or sustain profitability.

Even if AQS-1301 receives marketing approval by the FDA in the U.S., Aequus may never receive marketing approval for or commercialize AQS-1301 or any other product candidates outside the U.S.

In order to market AQS-1301 or any other product candidate outside the U.S., Aequus must obtain separate marketing approvals and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution of Aequus' product candidates. The time required to obtain approval in other countries might differ from and be longer than that required to obtain FDA approval. The marketing approval process in other countries may include all of the risks associated with obtaining FDA approval in the U.S., as well as other risks. For example, legislation analogous to Section 505(b)(2) of the FDCA in the U.S., which relates to the ability of an NDA applicant to use published data not developed by such applicant, may not exist in other countries. In territories where data is not freely available, Aequus may not have the ability to commercialize Aequus' products, when and if approved, without negotiating rights from third parties to refer to their clinical data in Aequus' regulatory applications, which could require the expenditure of significant additional funds. Further, Aequus may be unable to obtain rights to the necessary clinical data and may be required to develop Aequus' own proprietary safety and efficacy dossiers. In addition, in many countries outside the U.S., it is required that a product receive pricing and reimbursement approval before the product can be commercialized. This can result in substantial delays in such countries. Further, the product labeling requirements outside the U.S. may be different and inconsistent with the U.S. labeling and to the detriment of the product, and therefore negatively affect the ability to market in countries outside the U.S.

Marketing approval in one country does not ensure marketing approval in another, or any regulatory approval obtained may not be as broad as what was obtained in other jurisdictions, but a failure or delay

in obtaining marketing approval in one country may have a negative effect on the regulatory process in others. In addition, Aequus may be subject to fines, suspension or withdrawal of marketing approvals, product recalls, seizure of products, operating restrictions and criminal prosecution if Aequus fails to comply with applicable foreign regulatory requirements. If Aequus fails to comply with regulatory requirements in international markets or to obtain and maintain required approvals, Aequus' ability to market to Aequus' full target market will be reduced and Aequus' ability to realize the full market potential of Aequus' product candidates will be harmed.

Aequus will need to obtain FDA approval of any proposed product names, and any failure or delay associated with such approval may adversely affect Aequus' business.

Any name Aequus intends to use in the U.S. for Aequus' lead program, AQS-1301, or Aequus' other product candidates, will require approval from the FDA regardless of whether Aequus has secured a formal trademark registration from the U.S. Patent and Trademark Office ("**USPTO**"). The FDA typically conducts a review of proposed product names, including an evaluation of the potential for confusion with other product names. The FDA may also object to a product name if it believes the name inappropriately implies medical claims or contributes to an overstatement of efficacy. If the FDA objects to any of Aequus' proposed product names, Aequus may be required to adopt alternative names for Aequus' product candidates. If Aequus adopts alternative names, Aequus would lose the benefit of Aequus' existing trademark applications for such product candidate and may be required to expend significant additional resources in an effort to identify a suitable product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. Aequus may be unable to build a successful brand identity for a new trademark in a timely manner or at all, which would limit Aequus' ability to commercialize Aequus' product candidates. Further, if the regulator does not approve the trademark in one jurisdiction, then Aequus may be required to obtain different trademarks in many jurisdictions. Similar comments apply to other jurisdictions.

Aequus' relationships with physicians, customers and payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose Aequus to criminal sanctions, civil penalties, exclusion from government healthcare programs, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any product candidates that Aequus may commercialize. Aequus' arrangements with third-party payors, including government healthcare programs, and customers will expose Aequus to broadly-applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which Aequus markets, sells and distributes AQS-1301, if approved, and any other product candidates Aequus may commercialize. Restrictions under applicable U.S. federal and state healthcare laws and regulations include the following:

- The U.S. federal *Anti-Kickback Statute* prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as Medicare and Medicaid;

- The U.S. *False Claims Act*, including civil whistleblower or qui tam actions, imposes criminal and civil penalties against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease, or conceal an obligation to pay money to the federal government;

- The U.S. federal *Health Insurance Portability and Accountability Act of 1996* ("**HIPAA**"), created federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

- HIPAA, as amended by the U.S. *Health Information Technology for Economic and Clinical Health Act*, and its implementing regulations, impose obligations on covered healthcare providers, health plans and healthcare clearinghouses, as well as their business associates that create receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

- The federal physician payment transparency requirements under the ACA and applicable regulations require manufacturers of drugs, devices, biologics and medical supplies to report certain information to the Department of Health and Human Services including information related to payments and other transfers of value made to physicians and teaching hospitals and the ownership and investment interests held by physicians and their immediate family members; and

- Analogous state laws and regulations, such as state anti-kickback and false claims laws that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and drug pricing; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

The risk of Aequus being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the relevant government or regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Moreover, recent healthcare reform legislation has strengthened these laws. For example, the ACA, among other things, amended the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes; such that a person or entity no longer needs to have actual knowledge of these statutes or specific intent to violate them. In addition, the ACA provided that the U.S. government may assert that a claim including items or services resulting from a violation of the U.S. federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes.

Efforts to ensure that Aequus' business arrangements with third parties will comply with applicable healthcare laws and regulations are costly. It is possible that governmental authorities will conclude that Aequus' business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If Aequus' operations are found to be in violation of any of these laws or any other governmental regulations that may apply to Aequus, Aequus may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of Aequus' operations. If any of the physicians or other providers or entities with whom Aequus expects to do business is found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs. Similar comments apply to analogous healthcare laws and regulations in other jurisdictions.

Risks Related to Intellectual Property Rights

Aequus may not be able to protect Aequus' proprietary technology in the marketplace.

Aequus depends on its ability to protect Aequus' proprietary technology. Aequus relies on trade secret, patent, copyright and trademark laws, and confidentiality, licensing and other agreements with executives, consultants and third parties, all of which offer only limited protection. Aequus' success depends in large part on Aequus' ability and any future licensee's ability to maintain Aequus' patents and to obtain additional patent protection in Canada, the U.S. and other countries with respect to Aequus' proprietary technology and products. Aequus believes it will be able to obtain, through prosecution of Aequus' pending patent applications, additional patent protection for Aequus' proprietary technology. If Aequus is compelled to spend significant time and money protecting or enforcing Aequus' patents, designing around patents held by others or licensing or acquiring, potentially for large fees, patents or other proprietary rights held by others, Aequus' business and financial prospects may be harmed. If Aequus is unable to effectively protect the intellectual property that Aequus owns, other companies may be able to offer for sale the same or similar products containing the generically available active pharmaceutical ingredients in Aequus' product candidates, which could materially adversely affect Aequus' competitive business position and harm Aequus' business prospects. Aequus' patents may be challenged, narrowed, invalidated or circumvented, which could limit Aequus' ability to stop competitors from marketing the same or similar products or limit the length of term of patent protection that Aequus may have for Aequus' product candidates. Even if Aequus' patents are unchallenged, they may not adequately protect Aequus' intellectual property, provide exclusivity for Aequus' product candidates or prevent others from designing around Aequus' claims. Any of these outcomes could impair Aequus' ability to prevent competition from third parties, which may have an adverse impact on Aequus' business.

The patent positions of pharmaceutical products are often complex and uncertain. The breadth of claims allowed in pharmaceutical patents in Canada, the U.S. and many jurisdictions outside of Canada and the U.S. is not consistent. For example, in many jurisdictions the support standards for pharmaceutical patents are becoming increasingly strict. Some countries prohibit method of treatment claims in patents. Changes in either the patent laws or interpretations of patent laws in Canada, the U.S. and other countries may diminish the value of Aequus' intellectual property or create uncertainty. In addition, publication of information related to Aequus' current product candidates and potential products may prevent Aequus from obtaining or enforcing patents relating to these product candidates and potential products, including without limitation transdermal delivery systems and methods of using such transdermal delivery systems. Aequus' product candidates contain generically available active pharmaceutical ingredients. As a result, composition-of-matter patents directed to the active pharmaceutical ingredients in Aequus' product candidates, which are generally believed to offer the strongest form of patent protection, are not available for Aequus' product candidates.

Patents that Aequus owns or may license in the future do not necessarily ensure the protection of Aequus' intellectual property for a number of reasons, including without limitation, the following:

- The active pharmaceutical ingredients in Aequus' product candidates are generic and therefore Aequus' patents do not include claims directed solely to the active pharmaceutical ingredients;

- Aequus' patents may not be broad or strong enough to prevent competition from other products that are identical or similar to Aequus' product candidates using the same active pharmaceutical ingredients;

- There can be no assurance that the term of a patent protection will be long enough for Aequus' company to realize sufficient economic value under the patents following commercialization of Aequus' product candidates;

- Aequus does not expect, upon approval of Aequus' NDA, to receive patent term restoration under the U.S. *Hatch-Waxman Act* for any patents that have been submitted to the FDA for listing in the Orange Book;

- Aequus' issued patents and pending patent applications that may issue as patents in the future may not prevent entry into the Canada or U.S. markets or other markets of generic versions of Aequus' AQS-1301 and other product candidates;

- Aequus does not at this time own or control issued foreign patents in all markets that would prevent generic entry into some markets for Aequus' product candidates;

- Aequus may be required to disclaim part of the term of one or more patents;

- There may be prior art of which Aequus is not aware that may affect the validity or enforceability of a patent claim;

- There may be prior art of which Aequus is aware, which Aequus does not believe affects the validity or enforceability of a patent claim, but which, nonetheless, ultimately may be found to affect the validity or enforceability of a patent claim;

- There may be other patents issued to others that will affect Aequus' freedom to operate;

- If Aequus' patents are challenged, a patent office or a court could determine that they are invalid or unenforceable;

- There might be changes in the law that governs patentability, validity and infringement of Aequus' patents that adversely affects the scope or enforceability of Aequus' patent rights;

- A court could determine that a competitor's technology or product that is the same as or similar to Aequus' product candidates does not infringe Aequus' patents; and

- Aequus' patents could irretrievably lapse due to failure to pay fees or otherwise comply with regulations or could be subject to compulsory licensing.

If Aequus encounters delays in its development or clinical trials, the period of time during which Aequus could market Aequus' product candidates under patent protection would be reduced.

Aequus' competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. Aequus' competitors may seek to market generic versions of any approved products by submitting abbreviated new drug applications to the FDA or other regulatory authorities in which Aequus' competitors claim that Aequus' patents are invalid, unenforceable or not infringed. Alternatively, Aequus' competitors may seek approval to market their own products that are the same as, similar to or otherwise competitive with Aequus' product candidates. In these circumstances, Aequus may need to defend or assert Aequus' patents, by means including filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or government agency with jurisdiction may find Aequus' patents invalid, unenforceable or not infringed. Aequus may also fail to identify patentable aspects of Aequus' R&D before it is too late to obtain patent protection. Even if Aequus has valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve Aequus' business objectives.

The issuance of a patent is not conclusive as to its inventorship, scope, ownership, priority, validity or enforceability. In that regard, third parties may challenge Aequus' patents in the courts or patent offices in

Canada, the U.S. and abroad. Such challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit Aequus' ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of Aequus' technology and potential products. In addition, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire or be held invalid or unenforceable before Aequus' company can realize sufficient economic value following commercialization of Aequus' product candidates.

Aequus' intellectual property portfolio is currently comprised of pending patent applications. If Aequus' pending patent applications fail to issue or fail to issue with a scope that is meaningful to Aequus' product candidates, Aequus' business will be adversely affected.

There can be no assurance that our pending patent applications will result in issued patents in Canada, the U.S. or foreign jurisdictions in which such applications are pending. Even if patents do issue on any of these applications, there can be no assurance that a third party will not challenge their validity or enforceability, or that Aequus will obtain sufficient claim scope or term in those patents to prevent a third party from competing successfully with Aequus' product candidates.

Aequus may not be able to enforce Aequus' intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of Canada and the U.S. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to life sciences. To the extent that Aequus has obtained or is able to obtain patents or other intellectual property rights in any foreign jurisdictions, it may be difficult for Aequus to stop the infringement of Aequus' patents or the misappropriation of other intellectual property rights. For example, some foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the availability of certain types of patent rights and enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit.

Proceedings to enforce Aequus' patent rights in foreign jurisdictions could result in substantial costs and divert Aequus efforts and attention from other aspects of Aequus' business. Accordingly, Aequus' efforts to protect Aequus' intellectual property rights in such countries may be inadequate.

Recent patent reform legislation in the U.S. could increase the uncertainties and costs surrounding the prosecution of Aequus' patent applications and the enforcement or defense of Aequus' issued patents, if any.

On September 16, 2011, the *Leahy-Smith America Invents Act* (the "**Leahy-Smith Act**") was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. In particular, under the Leahy-Smith Act, the U.S. transitioned in March 2013 to a "first to file" system in which the first inventor to file a patent application will be entitled to the patent. Third parties are allowed to submit prior art before the issuance of a patent by the USPTO, and may become involved in post-grant proceedings including opposition, derivation, re-examination, inter-partes review or interference proceedings challenging Aequus' patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope or enforceability of, or invalidate, Aequus' patent rights, which could adversely affect Aequus' competitive position.

The USPTO has developed regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, did not become effective until March 16, 2013. However, the full impact of the Leahy-Smith Act and the courts' review of any appeals to related proceedings, is in its early stages. Accordingly, the full impact that the Leahy-Smith Act will have on the operation of Aequus' business is not clear. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of Aequus' patent applications and the enforcement or defense of Aequus' issued patents, as well as Aequus' ability to bring about timely favorable resolution of any disputes involving Aequus' patents and the patents of others.

Obtaining and maintaining Aequus' patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and Aequus' patent protection could be reduced or eliminated for noncompliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in unenforceability, invalidity, abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in unenforceability, invalidity, abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If Aequus or any future licensors fail to maintain the patents and patent applications covering Aequus' product candidates, Aequus' competitive position would be adversely affected.

Aequus may infringe the intellectual property rights of others, which may prevent or delay Aequus' product development efforts and stop Aequus from commercializing or increase the costs of commercializing Aequus' products, when and if approved.

Aequus' commercial success depends significantly on Aequus' ability to operate without infringing the patents and other intellectual property rights of third parties. For example, there could be issued patents of which Aequus is not aware that Aequus' current or future product candidates infringe. There also could be patents that Aequus believes Aequus does not infringe, but that Aequus may ultimately be found to infringe.

Moreover, patent applications are in some cases maintained in secrecy until patents are issued. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications were filed. There may be currently pending applications of which Aequus is unaware that may later result in issued patents that Aequus' current or future product candidates infringe. For example, pending applications may exist that claim or can be amended to claim subject matter that Aequus' current or future product candidates infringe. Competitors may file continuing patent applications claiming priority to already issued patents in the form of continuation, divisional or continuation-in-part applications, in order to maintain the pendency of a patent family and attempt to cover Aequus' product candidates.

Third parties may assert that Aequus is employing their proprietary technology without authorization and may sue Aequus for patent or other intellectual property infringement or misappropriation. These lawsuits are costly and could adversely affect Aequus' results of operations and divert the attention of managerial and scientific personnel. If Aequus is sued for patent infringement, Aequus would need to demonstrate that Aequus' product candidates or methods either do not infringe the claims of the relevant patent or that

the patent claims are invalid, and Aequus may not be able to do this. Proving invalidity is difficult. For example, in the U.S., proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if Aequus is successful in these proceedings, Aequus may incur substantial costs and the time and attention of Aequus' management and scientific personnel could be diverted in pursuing these proceedings, which could have a material adverse effect on Aequus. In addition, Aequus may not have sufficient resources to bring these actions to a successful conclusion. If a court holds that any third-party patents are valid, enforceable and cover Aequus' product candidates or their use, the holders of any of these patents may be able to block Aequus' ability to commercialize Aequus' product candidates unless Aequus acquires or obtains a license under the applicable patents or until the patents expire. Aequus may not be able to enter into licensing arrangements or make other arrangements at a reasonable cost or on reasonable terms. Any inability to secure licenses or alternative technology could result in delays in the introduction of Aequus' product candidates or lead to prohibition of the manufacture or sale of product candidates by Aequus. Even if Aequus is able to obtain a license, it may be non-exclusive, thereby giving Aequus' competitors access to the same technologies licensed to Aequus. Aequus could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, in any such proceeding or litigation, Aequus could be found liable for monetary damages, including treble damages and attorneys' fees if Aequus is found to have willfully infringed a patent. A finding of infringement could prevent Aequus from commercializing Aequus' product candidates or force Aequus to cease some of Aequus' business operations, which could materially harm Aequus' business. Any claims by third parties that Aequus has misappropriated their confidential information, know-how or trade secrets could have a similar negative impact on Aequus' business. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on Aequus' ability to raise the funds necessary to continue Aequus' operations.

Aequus may be subject to claims that Aequus or Aequus' consultants or contractors have misappropriated the intellectual property, including know-how or trade secrets, of a third party, or that claim ownership of what Aequus regards as Aequus' own intellectual property.

Many of Aequus' consultants and contractors were previously employed at or engaged by biotechnology companies or other pharmaceutical companies, including Aequus' competitors or potential competitors. Some of these consultants and contractors, including each member of Aequus' senior management, executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although Aequus tries to ensure that Aequus' consultants and contractors do not use the intellectual property and other proprietary information or know-how or trade secrets of others in their work for Aequus, Aequus may be subject to claims that Aequus or these consultants and contractors have used or disclosed such intellectual property, including know-how, trade secrets or other proprietary information. Litigation may be necessary to defend against these claims. Aequus is not aware of any threatened or pending claims related to these matters or concerning agreements with Aequus' senior management, or other of Aequus' employees, consultants and contractors, but litigation may be necessary in the future to defend against such claims. If Aequus fails in defending any such claims, in addition to paying monetary damages, Aequus may lose valuable intellectual property rights, or personnel or access to consultants and contractors. Even if Aequus is successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while Aequus typically requires Aequus' consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to Aequus, Aequus may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that Aequus regards as Aequus' own, which may result in claims by or against Aequus related to the ownership of such intellectual property. If Aequus fails in prosecuting or defending any such claims, in addition to paying monetary damages, Aequus may lose valuable intellectual property rights. Even if Aequus is successful in prosecuting or defending against such claims,

litigation could result in substantial costs and be a distraction to Aequus' management and scientific personnel.

Aequus may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

Aequus relies on trade secrets to protect Aequus' proprietary technological advances and know-how, especially where Aequus does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Aequus relies in part on confidentiality agreements with Aequus' consultants, contractors, outside scientific collaborators, sponsored researchers and other advisors, including the third parties Aequus relies on to manufacture Aequus' product candidates, to protect Aequus' trade secrets and other proprietary information. However, any party with whom Aequus has executed such an agreement may breach that agreement and disclose Aequus' proprietary information, including Aequus' trade secrets. Accordingly, these agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of Aequus' proprietary rights. In addition, others may independently discover Aequus' trade secrets and proprietary information. Further, the FDA, as part of its Transparency Initiative, a proposal to increase disclosure and make data more accessible to the public, is currently considering whether to make additional information publicly available on a routine basis, including information that Aequus may consider to be trade secrets or other proprietary information, and it is not clear at the present time how the FDA's disclosure policies may change in the future, if at all. Failure to obtain or maintain trade secret protection could enable competitors to use Aequus' proprietary information to develop products that compete with Aequus' products or cause additional, material adverse effects upon Aequus' competitive business position and financial results.

Any lawsuits relating to infringement of intellectual property rights brought by or against Aequus will be costly and time consuming and may adversely impact the price of Aequus' Common Shares.

Aequus may be required to initiate litigation to enforce or defend Aequus' intellectual property rights. These lawsuits can be very time consuming and costly. There is a substantial amount of litigation involving patent and other intellectual property rights in the pharmaceutical industry generally. Such litigation or proceedings could substantially increase Aequus' operating expenses and reduce the resources available for development activities or any future sales, marketing or distribution activities.

In infringement litigation, any award of monetary damages Aequus receives may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of Aequus' confidential information and trade secrets could be compromised by disclosure during litigation. Moreover, there can be no assurance that Aequus will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are resolved. Further, any claims Aequus asserts against a perceived infringer could provoke these parties to assert counterclaims against Aequus alleging that Aequus has infringed their patents. Some of Aequus' competitors may be able to sustain the costs of such litigation or proceedings more effectively than Aequus can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on Aequus' ability to compete in the marketplace.

In addition, Aequus' patents and patent applications could face other challenges, such as interference proceedings, opposition proceedings, reissue, inter partes review, re-examination proceedings, third-party submissions of prior art, and other forms of post-grant review. Any of these challenges, if successful, could result in the invalidation of, or in a narrowing of the scope or preventing the issuance of, any of Aequus' patents and patent applications subject to challenge. Any of these challenges, regardless of their

success, would likely be time consuming and expensive to defend and resolve and would divert Aequus' management and scientific personnel's time and attention.

In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the market price of Aequus' Common Shares.

Intellectual property disputes could cause Aequus to spend substantial resources and distract Aequus' personnel from their normal responsibilities.

Even if resolved in Aequus' favor, litigation or other legal proceedings relating to intellectual property claims may cause Aequus to incur significant expenses and could distract Aequus' technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of Aequus' Common Shares. Such litigation or proceedings could substantially increase Aequus' operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. Aequus may not have sufficient financial or other resources to adequately conduct such litigation or proceedings.

Risks Related to the Development of Aequus' Additional Product Candidates

If Aequus fails to develop and commercialize Aequus' current pipeline of additional product candidates, Aequus' prospects for future growth and Aequus' ability to reach or sustain profitability may be limited.

A key element of Aequus' strategy is to develop, obtain regulatory approval for and commercialize Aequus' portfolio of product candidates in addition to AQS-1301. Aequus may not be successful in Aequus' efforts to develop Aequus' portfolio of additional product candidates, and any product candidates Aequus does develop may not produce commercially viable products that safely and effectively treat their indicated conditions. To date, Aequus' efforts have yielded three additional product candidates in addition to AQS-1301, including AQS-1302, AQS-1303 and AQS-1304, which are all focused on treating diseases of the CNS.

Aequus' development programs may initially show promise in identifying potential product leads, yet fail to produce product candidates for clinical development. In addition, identifying new treatment needs and product candidates requires substantial technical, financial and human resources on Aequus' part. If Aequus is unable to obtain development partners or additional development program funding, or to continue to devote substantial technical and human resources to such programs, Aequus may have to delay or abandon these programs. Any product candidate that Aequus successfully identifies may require substantial additional development efforts prior to commercial sale, including preclinical studies, extensive clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are susceptible to the risks of failure that are inherent in pharmaceutical product development.

Aequus may be unable to license or acquire suitable additional product candidates or technologies from third parties for a number of reasons.

The licensing and acquisition of pharmaceutical products is competitive. A number of more established companies are also pursuing strategies to license or acquire products. These established companies may have a competitive advantage over Aequus due to their size, cash resources or greater clinical development and commercialization capabilities. In addition, Aequus expects competition in acquiring

product candidates to increase, which may lead to fewer suitable acquisition opportunities for Aequus as well as higher acquisition prices.

Other factors that may prevent Aequus from licensing or otherwise acquiring suitable product candidates include the following:

- Aequus may be unable to license or acquire the relevant technology on terms that would allow Aequus to make an appropriate return on Aequus' investment in such product;

- Companies that perceive Aequus to be their competitor may be unwilling to assign or license their product rights to Aequus;

- Aequus may be unable to identify suitable products or product candidates within Aequus' areas of expertise; or

- Aequus may not have sufficient funds to acquire, develop or commercialize additional product candidates or technologies.

Risks Related to Aequus' Business Operations and Industry

If Aequus is not successful in attracting and retaining highly qualified personnel, Aequus may not be able to successfully implement Aequus' business strategy.

Aequus' ability to compete in the highly competitive pharmaceuticals industry depends in large part upon Aequus' ability to attract and retain highly qualified managerial, scientific and medical personnel. Aequus is highly dependent on Aequus' management, scientific and medical personnel. In order to induce valuable executives and consultants to remain with Aequus, Aequus has provided these executives and consultants with stock options that vest over time. The value to executives and consultants of stock options that vest over time is significantly affected by movements in Aequus' stock price that Aequus cannot control and may at any time be insufficient to counteract more lucrative offers from other companies.

Aequus' management team has expertise in many different aspects of drug development and commercialization. Competition for skilled personnel in Aequus' market is intense and competition for experienced personnel may limit Aequus' ability to hire and retain highly qualified personnel on acceptable terms. Despite Aequus' efforts to retain valuable executives and consultants, members of Aequus' management, scientific and medical teams may terminate their employment with Aequus on short notice. The loss of the services of any of Aequus' executive officers or other key individuals could potentially harm Aequus' business, operating results or financial condition. Aequus does not currently carry "key person" insurance on the lives of members of executive management. Aequus' success also depends on Aequus' ability to continue to attract, retain and motivate highly skilled junior, mid-level and senior managers as well as junior, mid-level and senior scientific and medical personnel.

Other pharmaceutical companies with which Aequus competes for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than Aequus does. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those that Aequus has to offer. If Aequus is unable to continue to attract and retain high-quality personnel, the rate of and success with which Aequus can develop and commercialize product candidates would be limited.

If product liability lawsuits are brought against Aequus, Aequus may incur substantial liabilities and may be required to limit commercialization of AQS-1301, if approved.

Aequus faces a potential risk of product liability as a result of the clinical testing of AQS-1301 and will face an even greater risk if Aequus commercializes AQS-1301, if approved or any other current or future product candidate. For example, Aequus may be sued if any product candidate Aequus develops allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If Aequus cannot successfully defend itself against product liability claims, Aequus may incur substantial liabilities or be required to limit commercialization of the product candidate subject to such claims. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- Decreased demand for AQS-1301 or any future product candidates that Aequus may develop;
- Injury to Aequus' reputation;
- Withdrawal of clinical trial participants;
- Costs to defend any related litigation;
- A diversion of management's time and Aequus' resources;
- Substantial monetary awards to trial participants or patients;
- Product recalls, withdrawals or labeling, marketing or promotional restrictions;
- Loss of revenue;
- The inability to commercialize AQS-1301, if approved;
- A decline in Aequus' stock price; and
- Exposure to adverse publicity.

Aequus' inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of product candidates Aequus develops. Aequus does not currently maintain product liability insurance given its current level of product development. Although Aequus does maintain other forms of insurance, any claim that may be brought against Aequus could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by Aequus' insurance or that is in excess of the limits of Aequus' insurance coverage. Aequus' insurance policies also have various exclusions, and Aequus may be subject to a product liability claim for which Aequus has no coverage. Aequus may have to pay any amounts awarded by a court or negotiated in a settlement that exceed Aequus' coverage limitations or that are not covered by Aequus' insurance, and Aequus may not have, or be able to obtain, sufficient capital to pay such amounts.

Aequus may acquire businesses or products, or form strategic alliances in the future, and Aequus may not realize the benefits of such acquisitions or alliances.

Aequus may acquire additional businesses or products, form strategic alliances or create joint ventures with third parties that Aequus believes will complement or augment Aequus' existing business. If Aequus acquires businesses with promising markets or technologies, Aequus may not be able to realize the benefit of acquiring such businesses if Aequus is unable to successfully integrate them with Aequus' existing operations and company culture. Aequus may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent Aequus from realizing their expected benefits or enhancing Aequus' business. Aequus cannot assure you that, following any such acquisition, Aequus will achieve the expected synergies to justify the transaction.

Aequus' business is affected by macroeconomic conditions.

Various macroeconomic factors could adversely affect Aequus' business and the results of Aequus' operations and financial condition, including changes in inflation, interest rates and foreign currency exchange rates, and overall economic conditions and uncertainties, including those resulting from political instability and the current and future conditions in the global financial markets. For instance, if inflation or other factors were to significantly increase Aequus' business costs, it may not be feasible to pass through price increases to patients. Interest rates, the liquidity of the credit markets and the volatility of the capital markets could also affect the value of Aequus' investments and Aequus' ability to liquidate Aequus' investments in order to fund Aequus' operations, if necessary.

Interest rates and the ability to access credit markets could also adversely affect the ability of patients, payors and distributors to purchase, pay for and effectively distribute Aequus' products if and when approved. Similarly, these macroeconomic factors could affect the ability of Aequus' current or potential future contract manufacturers, sole-source or single-source suppliers, or licensees to remain in business or otherwise manufacture or supply Aequus' product candidates. Failure by any of them to remain in business could affect Aequus' ability to manufacture product candidates.

Aequus will incur significant increased costs as a result of operating as a public company, and Aequus' management will be required to devote substantial time to compliance initiatives.

As a public company, Aequus will incur significant legal, accounting and other expenses that Aequus did not incur as a private company. Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. Aequus anticipates that costs may continue to increase with corporate governance related requirements, including, without limitation, requirements under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*, National Instrument 52-110 - *Audit Committees* and National Instrument 58-101 - *Disclosure of Corporate Governance Practices*.

Aequus' management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase Aequus' legal and financial compliance costs and will make some activities more time-consuming and costly. For example, Aequus expects these rules and regulations to make it more difficult and more expensive for Aequus to obtain director and officer liability insurance.

Aequus' testing, or the subsequent testing by Aequus' independent registered public accounting firm, may reveal deficiencies in Aequus' internal control over financial reporting that are deemed to be material weaknesses. Aequus will incur substantial accounting expense and expend significant management efforts to comply with internal control over financial reporting requirements. Aequus currently does not have an

internal audit group, and Aequus will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if Aequus is not able to comply with these requirements in a timely manner or if Aequus or Aequus' independent registered public accounting firm identifies deficiencies in Aequus' internal control over financial reporting that are deemed to be material weaknesses, the market price of Aequus' Common Shares could decline, and Aequus could be subject to sanctions or investigations by applicable securities regulatory authorities, which would require additional financial and management resources.

Business interruptions could delay Aequus in the process of developing Aequus' product candidates and could disrupt Aequus' sales.

Aequus' headquarters are located in Vancouver, British Columbia, Canada; Corium, Aequus' contract manufacturer, is located in Grand Rapids, Michigan, USA; and TRPL is located in Long Island City, New York. Aequus is vulnerable to natural disasters, such as severe storms and other events that could disrupt Aequus, Corium or TRPL's operations. Aequus does not carry insurance for natural disasters and Aequus may not carry sufficient business interruption insurance to compensate Aequus for losses that may occur. Any losses or damages Aequus incurs could have a material adverse effect on Aequus' business operations.

Aequus' business and operations would suffer in the event of system failures.

Despite the implementation of security measures, Aequus' internal computer systems, and those of Aequus' CROs and other third parties on which Aequus relies, are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in Aequus' operations, it could result in a material disruption of Aequus' drug development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in Aequus' regulatory approval efforts and significantly increase Aequus' costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to Aequus' data or applications, or inappropriate disclosure of confidential or proprietary information, Aequus could incur liability and the further development of Aequus' product candidates could be delayed.

Aequus' employees, independent contractors, principal investigators, CROs, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading, which could significantly harm Aequus' business.

Aequus is exposed to the risk that employees, independent contractors, principal investigators, CROs, consultants, commercial partners and vendors may engage in fraudulent or other illegal activity, fraud or other misconduct. Misconduct by these parties could include intentional, reckless or negligent conduct or disclosure of unauthorized activities to Aequus that violates: (i) the law and regulations of the FDA and non-U.S. regulators, including those laws that require the reporting of true, complete and accurate information to the FDA and non-U.S. regulators, (ii) healthcare fraud and abuse laws and regulations in the U.S. and abroad and (iii) laws that require the true, complete and accurate reporting of financial information or data. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Misconduct in violation of these laws may also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to Aequus' reputation. It is not always possible to identify and deter misconduct by Aequus' executives, consultants and other third parties, and any precautions Aequus takes to detect and prevent

this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Aequus from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against Aequus, and Aequus is not successful in defending itself or asserting Aequus' rights, those actions could have a significant impact on Aequus' business, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other U.S. federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings and curtailment of Aequus' operations, any of which could adversely affect Aequus' ability to operate Aequus' business and Aequus' results of operations.

The directors and officers of Aequus may be subject to conflicts of interest.

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with Aequus. Some of the directors and officers of Aequus are or may become directors or officers of the other companies engaged in other business ventures whose operations may, from time to time, be in direct competition with Aequus' operations. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (British Columbia).

Risks Related to an Offering and Ownership of Aequus' Common Shares

Discretion in the Use of Proceeds

Management will have broad discretion concerning the use of the proceeds of an offering of our securities as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of an offering of our securities. Management may use the net proceeds of an offering of our securities in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage pharmaceutical companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies.

Future Sales or Issuances of Securities

The market price of our equity securities could decline as a result of issuances of securities by us or sales by our existing shareholders of Common Shares in the market, or the perception that these sales could occur, during the currency of this prospectus. Sales of Common Shares by shareholders pursuant to this prospectus or otherwise might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

Debt Securities Will Be Unsecured and Rank Equally in Right of Payment With All of Our Other Future Unsecured Debt

The debt securities will be unsecured and will rank equally in right of payment with all of our other existing and future unsecured debt. The debt securities will be effectively subordinated to all of our existing and future secured debt to the extent of the assets securing such debt. If we are involved in any bankruptcy, dissolution, liquidation or reorganization, the secured debt holders would, to the extent of the value of the assets securing the secured debt, be paid before the holders of unsecured debt securities, including the debt securities. In that event, a holder of debt securities may not be able to recover any principal or interest due to it under the debt securities.

Aequus expects that Aequus' share price may fluctuate significantly.

The market price of Aequus' Common Shares could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond Aequus' control, including:

- Adverse results in Aequus' planned clinical trials for AQS-1301;
- Aequus' failure to commercialize AQS-1301, if approved, or develop and commercialize additional product candidates;
- Unanticipated efficacy, safety or tolerability concerns related to the use of AQS-1301;
- Regulatory actions with respect to AQS-1301;
- Inability to obtain adequate product supply of AQS-1301 or inability to do so at acceptable prices;
- Adverse results or delays in Aequus' clinical trials for Aequus' other product candidates;
- Changes in laws or regulations applicable to AQS-1301 or any future product candidates, including but not limited to clinical trial requirements for approvals;
- Actual or anticipated fluctuations in Aequus' financial condition and operating results;
- Actual or anticipated changes in Aequus' growth rate relative to Aequus' competitors;
- Competition from existing products or new products that may emerge;
- Announcements by Aequus, Aequus' collaborators or Aequus' competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- Failure to meet or exceed financial estimates and projections of the investment community or that Aequus provides to the public;
- Issuance of new or updated research or reports by securities analysts;
- Fluctuations in the valuation of companies perceived by investors to be comparable to Aequus;
- Share price and volume fluctuations attributable to inconsistent trading volume levels of Aequus' shares;
- Additions or departures of key management or scientific personnel;
- Disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for Aequus' technologies;
- Announcement or expectation of additional debt or equity financing efforts;
- Sales of Aequus' Common Shares by Aequus, Aequus' insiders or Aequus' other shareholders; and
- General economic and market conditions.

These and other market and industry factors may cause the market price and demand for Aequus' Common Shares to fluctuate substantially, regardless of Aequus' actual operating performance, which may limit or prevent investors from readily selling their Common Shares and may otherwise negatively affect the liquidity of Aequus' Common Shares. In addition, the stock market in general, and the TSX-V and the share prices of pharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of

these companies. In the past, when the market price of shares has been volatile, holders of those shares have instituted securities class action litigation against the company that issued the shares. If any of Aequus' shareholders brought a lawsuit against Aequus, Aequus could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of Aequus' management.

Aequus may be subject to securities litigation, which is expensive and could divert management attention.

The market price of Aequus' Common Shares may be volatile, and in the past companies that have experienced volatility in the market price of their shares have been subject to securities class action litigation. Aequus may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could adversely impact Aequus' business. Any adverse determination in litigation could also subject Aequus to significant liabilities.

Aequus' existing principal shareholders, executive officers and directors own a significant percentage of Aequus' Common Shares and will be able to exert a significant control over matters submitted to Aequus' shareholders for approval.

Aequus' executive officers and directors together beneficially owned approximately 34.3% of Aequus' outstanding Common Shares as of the date of this prospectus. This significant concentration of share ownership may adversely affect the trading price for Aequus' Common Shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. As a result, these shareholders, if they acted together, could significantly influence all matters requiring approval by Aequus' shareholders, including the election of directors and the approval of mergers or other business combination transactions. These shareholders may be able to determine all matters requiring shareholder approval. The interests of these shareholders may not always coincide with Aequus' interests or the interests of other shareholders. This may also prevent or discourage unsolicited acquisition proposals or offers for Aequus' Common Shares that other shareholders may feel are in their best interest and Aequus' large shareholders may act in a manner that advances their best interests and not necessarily those of other shareholders, including seeking a premium value for their Common Shares, and might affect the prevailing market price for Aequus' Common Shares.

Future sales of shares of Aequus' Common Shares by existing Shareholders could cause Aequus' share price to decline.

Subject to compliance with applicable securities laws, Aequus' officers, directors and significant shareholders may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by Aequus' officers, directors and significant shareholders or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares.

As a venture issuer, Aequus is not required to make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting.

In contrast to the certificate required for non-venture issues under NI 52-109, the certifying officers of Aequus, as a venture issuer, are not required to make representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers of Aequus are not required to make any representations that they have:

(i) designed, or caused to be designed, DC&P to provide reasonable assurance that information required to be disclosed by Aequus in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) designed, or caused to be designed, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Aequus has never paid dividends on Aequus' Common Shares and Aequus does not anticipate paying any dividends in the foreseeable future. Consequently, any gains from an investment in Aequus' Common Shares will likely depend on whether the price of Aequus' Common Shares increases.

Aequus has not paid dividends on Aequus' Common Shares to date and Aequus currently intends to retain Aequus' future earnings, if any, to fund the development and growth of Aequus' business. As a result, capital appreciation, if any, of Aequus' Common Shares will be your sole source of gain for the foreseeable future. Consequently, in the foreseeable future, you will likely only experience a gain from your investment in Aequus' Common Shares if the price of Aequus' Common Shares increases.

If equity research analysts do not publish research or reports about Aequus' business or if they issue unfavorable commentary or downgrade Aequus' Common Shares, the price of Aequus' Common Shares could decline.

The trading market for Aequus' Common Shares will rely in part on the research and reports that equity research analysts publish about Aequus and Aequus' business. Aequus does not control these analysts. The price of Aequus' Common Shares could decline if one or more equity analysts downgrade Aequus' Common Shares or if analysts issue other unfavorable commentary or cease publishing reports about Aequus or Aequus' business.

Anti-takeover provisions could discourage a third party from making a takeover offer that could be beneficial to Aequus' shareholders.

Some of the provisions in Aequus' Articles could delay or prevent a third party from acquiring Aequus or replacing members of Aequus' Board, even if the acquisition or the replacements would be beneficial to Aequus' shareholders. Such provisions include that Aequus' Board can, without shareholder approval, issue Class A Preferred Shares having any terms, conditions, rights and preferences that the Board determines.

These provisions could also reduce the price that certain investors might be willing to pay for Aequus' securities and result in the market price for Aequus' securities, including the market price for Aequus' Common Shares, being lower than it would be without these provisions.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by Aequus since the beginning of the last financial year, or before the beginning of the last financial year that are still in effect, which may be regarded as material, are as follows:

1. Research Service Contract between the Company and TRPL dated August 1, 2013.

2. Corium Development Agreement between the Company and Corium dated May 23, 2014, as amended November 11, 2014, January 16, 2015 and February 16, 2015.

3. Multi-product Collaboration Agreement between the company and Corium dated April 28, 2015.

4. Services Agreement among the Company, Northview, Douglas Janzen and Anne Stevens effective September 1, 2014 and amended on March 11, 2015.

5. Agency Agreement among the Company and the Agents dated November 20, 2014.

6. Special Warrant Indenture between the Company and the Special Warrant Agent dated November 20, 2014.

7. Warrant Indenture between the Company and the Warrant Agent dated November 20, 2014.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The applicable prospectus supplement may describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada or to an investor who is a resident of Canada of acquiring, owning and disposing of any of our securities offered thereunder.

PROMOTERS

Doug Janzen, the CEO, Chairman and a director of the Company, may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Doug Janzen owns 3,642,000 Common Shares, representing approximately 10.81% of the outstanding Common Shares as of the date of this prospectus. Doug Janzen also owns 240,000 Options and 90,000 Underlying Warrants as of the date of this prospectus.

Pursuant to the Services Agreement between the Company and Northview, Doug Janzen also indirectly receives compensation from the Company through his role as Co-Founder and Managing Director of Northview. Northview directs the affairs and manages the Company's business and administers or arranges for the administration of the Company's day-to-day operations. In consideration for the services provided to the Company by Northview, Northview is paid a base management fee of $27,000 per month, plus incentive bonuses upon the satisfaction of specified Milestones.

Fotios Plakogiannis, a director of the Company, may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Fotios Plakogiannis owns 5,870,000 Common Shares, representing approximately 17.42% of the outstanding Common Shares. Dr. Plakogiannis holds no other securities of the Company.

Peter Wilson may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As

of the date of this prospectus, Peter Wilson owns 2,778,750 Common Shares, representing approximately 8.25% of the outstanding Common Shares. In addition, Peter Wilson owns 105,000 Options. The Company previously retained Peter Wilson, through Sterling Grant Capital Inc., as its financial advisor for a two year contract expired on April 30, 2015, at a rate of $4,000 per month. Peter Wilson is a director of Guerrero Exploration Inc. ("**Guerrero**"). On August 22, 2014, at which time Peter Wilson was a director, the Alberta Securities Commission and the Ontario Securities Commission issued a temporary cease trade order to Guerrero for the failure to file audited annual filings. No revocation order has yet been issued as the filings remain outstanding while Guerrero seeks to prepare them.

Charlie Perperidis may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Charlie Perperidis owns 2,733,500 Common Shares and indirectly controls 125,000 Common Shares through Kiriakos Capital Ltd, representing, in the aggregate, approximately 8.48% of the outstanding Common Shares. In addition, Charlie Perperidis owns 105,000 Options. The Company has retained Charlie Perperidis, through Kiriakos Capital Ltd., as its financial advisor at a rate of $5,000 per month.

Alexander Goumeniouk may be considered a promoter of the Company within the meaning of applicable securities legislation by reason of his initiatives in founding and organizing the Company's business and affairs. As of the date of this prospectus, Alexander Goumeniouk owns 3,016,750 Common Shares, representing approximately 8.95% of the outstanding Common Shares. Mr. Goumeniouk holds no other securities of the Company. The Company has retained Dr. Goumeniouk, through CINEDOCS Consulting Corp., as its clinical development advisor on an as needed basis at a rate of $3,000 per month.

LEGAL PROCEEDINGS

Aequus is not aware of any material legal proceedings involving Aequus nor are any such proceedings known by Aequus to be contemplated.

AGENT FOR SERVICE OF PROCESS

Fotios Plakogiannis and Rodoula Plakogiannis, directors of the Company, reside outside of Canada and each has appointed the following agent for service of process in Canada:

Name of Person	Name and Address of Agent
Fotios Plakogiannis, Rodoula Plakogiannis	Aequus Pharmaceuticals Inc., Suite 2820, 200 Dunsmuir Street, Vancouver, BC V6C 1S4

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Crowe MacKay LLP at its offices located at 1100 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 4T5.

As of the date of this prospectus, the registrar and transfer agent of the Company is Computershare Trust Company of Canada at its offices in Vancouver, British Columbia.

LEGAL MATTERS

Certain legal matters related to the offering of securities under this prospectus will be passed upon by Blake, Cassels & Graydon LLP. As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP beneficially own, directly or indirectly, in the aggregate, less than 1% of the issued and outstanding Common Shares and hold no other securities of the Company.

The Company's auditors for the financial statements included in this prospectus, Crowe MacKay LLP, in Vancouver, British Columbia, report that they are independent from the Company in accordance with the Institute of Chartered Accountants of B.C. Rules of Professional Conduct in British Columbia, Canada.

CERTIFICATE OF THE COMPANY

Dated: June 30, 2015

This short form base shelf prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario.

"Doug Janzen"
Doug Janzen
Chief Executive Officer

"Christina Yip"
Christina Yip
Chief Financial Officer

On behalf of the Board of Directors of Aequus Pharmaceuticals Inc.

"Chris Clark"
Chris Clark
Director

"Fotios Plakogiannis"
Fotios Plakogiannis
Director

CERTIFICATE OF PROMOTERS

Dated: June 30, 2015

This short form base shelf prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario.

"Doug Janzen"
Doug Janzen

"Fotios Plakogiannis"
Fotios Plakogiannis

"Alexander Goumeniouk"
Alexander Goumeniouk

"Peter Wilson"
Peter Wilson

"Charlie Perperidis"
Charlie Perperidis